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United Nations

United Nations Population Fund

Financial report and audited financial statements

for the biennium ended 31 December 2005 and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-first Session
Supplement No. 5G (A/61/5/Add.7)

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Note

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Letters of transmittal

28 April 2006

Pursuant to Financial Rule 116.2 of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the biennium ended 31 December 2005, which I hereby approve.

Copies of these statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Thoraya Ahmed **Obaid**
Under-Secretary-General

The Chairman of the Board of Auditors
United Nations
New York

28 July 2006

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Population Fund for the biennium ended 31 December 2005.

Accept, Sir, the assurances of my highest consideration.

(*Signed*) Guillermo **Carague**
Chairman, Philippine Commission on Audit
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York, NY

Chapter I

Financial report for the biennium ended 31 December 2005

1. The present report summarizes the information provided in the financial statements of the United Nations Population Fund (UNFPA) for the biennium ended 31 December 2005.

2. The financial statements comprise four statements, eight schedules and notes, and include information on the operations funded by both the regular and other resources of UNFPA.

A. Regular resources

1. Income

3. Contribution income for the biennium was $673.7 million (2002-2003: $538.6 million). The increase of $135.1 million or 25.1 per cent is attributable to the continued support of donors to UNFPA.

4. Higher interest rates throughout the period gave rise to interest income for the biennium of $9.8 million (2002-2003: $8.3 million).

5. Other income of $10 million (2002-2003: $3.9 million) comprises other exchange adjustments and miscellaneous income.

2. Programme expenditure

6. Programme expenditure authority was $400.7 million for the biennium ended 31 December 2005 (2002-2003: $398.1 million).

7. Actual programme expenditure for the biennium, which includes expenditure in respect of programme activities and the Technical Advisory Programme, totalled $494.7 million (2002-2003: $421.5 million).

8. Expenditure incurred in respect of the programme activities increased from $390.1 million in the last biennium to $456.3 million in the current biennium. This increase in attributable in large part to the increase in contribution income.

9. Programme activities are summarized by implementing partner as follows:

	2004-2005		2002-2003	
	Millions of United States dollars	*Percentage*	*Millions of United States dollars*	*Percentage*
UNFPA	249.7	54.7	185.8	48.9
Governments	146.3	32.1	125.3	33.0
International non-governmental institutions and non-governmental organizations	49.3	10.8	55.1	14.5
United Nations agencies	11.1	2.4	13.7	3.6
Subtotal	**456.3**	**100.0**	**380.0**	**100.0**
Indirect costs[a]	—	—	10.1	—
Total programme activities	**456.3**	—	**390.1**	—

[a] Indirect costs, previously reported as programme support services, have been incorporated into programme activities by implementing partner in 2004-2005. The comparative has not been restated.

10. The following United Nations agencies executed projects funded by UNFPA in the biennium ended 31 December 2005:

- United Nations Department of Economic and Social Affairs
- Economic Commission for Africa
- Economic Commission for Europe
- Economic Commission for Latin America and the Caribbean
- Economic and Social Commission for Asia and the Pacific
- Economic and Social Commission for Western Asia
- Food and Agriculture Organization of the United Nations
- International Labour Organization
- United Nations Educational, Scientific and Cultural Organization
- United Nations Development Fund for Women
- United Nations Institute for Training and Research
- United Nations Office for Project Services
- World Health Organization

11. Schedule 3 provides an analysis of programme activities by region.

12. Expenditures in respect of the Technical Advisory Programme totalled $38.4 million for the biennium (2002-2003: $31.4 million). The recruitment process for the Country Technical Services Teams, which commenced in 2002, was completed in the 2004-2005 biennium.

3. Biennial support budget

13. The revised gross and net biennial support budget appropriations for the biennium ended 31 December 2005 were $169.6 (2002-2003: $155.2 million) and $155 million (2002-2003: $135.1 million), respectively.

14. Actual activity for the biennium support budget for the biennium is summarized as follows:

	2004-2005	*2002-2003*
	Millions of dollars	
Gross biennial support budget expenditure	169.5	150.5
Credits to the biennial support budget	(20.6)	(17.7)
Net biennial support budget expenditure	148.9	132.8
Total expenditure	**653.3**	**563.5**
Net biennial support budget as percentage of total expenditure	22.8	23.6

15. The increase in gross biennial support budget expenditures between the two bienniums is $19 million, or 12.6 per cent. This is attributable to low implementation in 2002-2003, in response to the decrease in income, and increased expenditures in 2004-2005, namely for security and payroll, driven in turn by a deterioration of the strength of the United States dollar in the field.

16. The increase of $2.9 million in credits to the biennial support budget is attributable in large part to the increase in programme activities for the biennium.

17. The unencumbered balance of net appropriations at 31 December 2005 was $6.1 million. Net biennial support budget appropriations were 96.1 per cent utilized in the current biennium (2002-2003: 98.3 per cent).

4. Additional security requirements

18. By decision 2004/27 of 21 September 2004, the Executive Board of the United Nations Development Programme and of the United Nations Population Fund granted the Executive Director authority to access up to 4 per cent of the approved gross regular biennial support budget as additional funding for security measures, up to a maximum of $6.8 million.

5. Implementation of the Enterprise Resource Planning System

19. The total development cost for the Enterprise Resource Planning System approved by the Executive Board is $13.8 million. Expenditures of $6.7 million were incurred in the biennium ended 31 December 2005 (2002-2003: $7.3 million). Cumulative expenditures since inception total $14 million. The marginal overexpenditure will be offset against cumulative appropriations under the Enterprise Resource Planning System.

6. Termination payments — country office typology

20. In the revised biennial support budget 2002-2003, approved at its second regular session of 2002, the Executive Board authorized the Executive Director to expend an additional $2 million earmarked to provide termination payments to the incumbents of posts not included in the country office typology developed and implemented during the UNFPA transition process. No expenditure against this appropriation was incurred in the biennium ended 31 December 2005 (2002-2003: $1.8 million).

7. Fund balances and reserves

21. The net excess of income over expenditure for the 2004-2005 biennium was $39.6 million (2002-2003: shortfall of $13.5 million). As a result of this and other reserve movements, the programmable fund balance under regular resources increased from $20 million to $48.6 million.

22. At 31 December 2005, transfers were made from the programmable fund balance to maintain the reserve for field accommodation at $5 million (2003: $5 million) and to increase the operational reserve to $70.2 million (2003: $57.7 million).

23. At 31 December 2005, $4.4 million (2003: -nil-) for additional security requirements, $0.2 million net deficit (2003: $2.7 million) for the Enterprise Resource Planning System and $2.4 million (2003: $1.2 million) for procurement services were earmarked, respectively, out of the programmable fund balance.

8. Other assets and liabilities

24. At 31 December 2005, total current assets, which exclude investments with a maturity of more than three years, were $163.1 million (2003: $110.5 million) compared with total current liabilities of $49.1 million (2003: $52.5 million), giving a current ratio, which measures the organization's ability to meet its current obligations, of 3.3 (2003: 2.1).

9. Cash and investments

25. At 31 December 2005, cash and investments held by UNFPA totalled $118.8 million (2003: $118.5 million) and $227.3 million (2003: $146.6 million) under regular and other resources, respectively.

26. Schedule 8 provides an analysis of investment by security type and by fund or reserve.

B. Other resources

27. The information provided in the financial statements with respect to other resources has been presented in a different format in the year ended 31 December 2005 to better reflect the activities funded.

1. Co-financing

28. Activities financed by co-financing funds can be summarized as follows:

	Trust funds	*Thematic trust fund*	*Cost-sharing*	*Other trust funds*	*2004-2005 total*	*2002-2003 total*
			Millions of dollars			
Fund balance at 1 January	70.9		23.6	6.6	101.1	113.9
Contributions	166.4	60.2	62.1	0.7	289.4	190.5
Programme activities	(149.5)	(38.5)	(61.4)	(0.7)	(250.0)	(198.0)
Other income, expenditure and adjustments	3.1	1.1	0.6	0.2	5.0	(5.3)
Fund balance as at 31 December	**90.9**	**22.8**	**24.9**	**6.8**	**145.5**	**101.1**

29. The balance of co-financing funds held at 31 December 2005 was $145.5 million (2003: $101.1 million).

30. Contributions to trust funds and cost-sharing represented 78.5 per cent and 21.5 per cent of contributions to other resources, respectively (2003: 72.2 per cent and 27.8 per cent). This increase is attributable to the receipt of a significant contribution of $60.1 million to the UNFPA Thematic Trust Fund for Reproductive Health Commodity Security.

31. Schedule 6 provides an analysis of co-financing funds by donor.

2. Procurement services

32. Procurement services income increased from $21.6 million in the biennium ended 31 December 2003 to $71 million in 2005. Expenditure increased from $34.4 million in 2003 to $69.1 million in 2005.

33. The increase in procurement services activity is attributable to significant new agreements entered into with Government clients and United Nations agencies.

34. Schedule 7 provides an analysis of procurement services by client.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Population Fund (UNFPA) for the period from 1 January 2004 to 31 December 2005. The Board's audit included visits to UNFPA headquarters, the Procurement Services Section in Copenhagen and four field offices (Lesotho, Namibia, China and Thailand).

Without qualifying its opinions on the financial statements and in compliance with legislative authority, the Board modified its short-form audit report (chapter III, "Audit opinion") to emphasize its concerns regarding nationally executed expenditure. The nationally executed expenditure project audit reports provided by independent auditors reflected a significant number of qualifications. The exact extent of project audit qualifications and the impact thereof could not be determined for the biennium, as these had not been analysed by UNFPA. In addition, the effectiveness of internal controls and procedures in respect of nationally executed expenditure could be further improved.

Implementation of previous recommendations

As requested by the Advisory Committee on Administrative and Budgetary Questions (see A/59/400, para. 8), the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated the financial period in which such recommendations were first made in the annex to the present chapter. Of a total of 56 recommendations, 31 (55 per cent) had been implemented while 25 (45 per cent) were under implementation. Of the 25 recommendations, 5 relate to the 2000-2001 period while the balance of 20 recommendations relate to 2002-2003.

Coordination among oversight bodies

The Board continually coordinates with other oversight bodies and experts (the Division for Oversight Services in the case of UNFPA) in the planning of its audits in order to avoid duplication of efforts. This was relevant during the present audit, as a number of internal audits and two financial reviews were performed.

Financial overview for the year ended 31 December 2005

UNFPA incurred expenditures of $653.3 million of its total regular resources income of $693.5 million in the biennium 2004-2005. UNFPA also incurred expenditures of $321.5 million of its total other resources income of $373.7 million. As a result, UNFPA had a surplus of combined income over combined expenditure in the amount of $92.4 million. The main reason for the surplus is a 25.1 per cent increase in regular resource contributions and a 71.3 per cent increase in other resource contributions.

Total assets amounted to $408.3 million as at 31 December 2005, compared to $285.9 million as at 31 December 2003, representing an increase of 42.8 per cent. Total liabilities increased by $32.9 million (29 per cent) to $127.4 million as at

31 December 2005 ($94.5 million as at 31 December 2003). The total cash holdings ($346.1 million) to total liability ratio of 2.72:1 decreased marginally from 2.81:1 in the previous biennium.

The Board's main findings are as follows:

Bank and cash

Monthly bank account reconciliations were not prepared throughout the biennium for 13 bank accounts of UNFPA.

Inter-fund balance

Reconciliations were not consistently performed in respect of inter-fund transactions and balances with the United Nations Development Programme (UNDP). Accordingly, an unreconciled difference of $0.48 million existed between the records of UNFPA and UNDP at the end of the biennium.

Information and communication technology (Atlas implementation)

Internal control weaknesses reported previously were not sufficiently addressed in the biennium, either by UNFPA alone or in conjunction with UNDP.

Programme expenditure

Programme expenditure of $195.6 million (2002/2003: $180.4 million) was implemented on behalf of UNFPA by Government and non-governmental implementing partners. In respect of such expenditure, project audit reports were obtained from country appointed project auditors, but were sometimes not received in a timely manner. For those reports that were available and were reviewed, a significant number of qualifications were reflected. The project audit reports also reflected that problems were observed by the project auditors with the effectiveness of internal controls and procedures.

Some UNFPA staff working on biennial support budget tasks were appointed on project-funded posts owing to a shortage of funds to appoint staff on the biennial support budget. These staff could be found at different grades throughout the organization.

Procurement and contract management

Purchase orders were in some instances left open on the system for long periods. This is an indication that adequate follow-up of long outstanding orders had not taken place, which increases the risk to UNFPA.

At a country office, purchase orders for many low value purchases were not recorded on Atlas in a timely manner. The Board was concerned about the controls that led to this situation and the risk throughout UNFPA.

The existing policy for the receipt of gifts for the Procurement Services Section was not in accordance with the United Nations policy.

Donor reporting

Country offices were responsible for preparing progress reports to donors for earmarked funds received. The monitoring mechanism at headquarters for these reports was not satisfactory.

Division of Oversight Services

An internal audit charter detailing the overall purpose and responsibilities of the internal audit function had not been developed and approved. This was due in part to the recent appointment of the Oversight Committee, which had not yet met to adopt its own charter and discharge its duties. Also, the internal audit coverage did not adequately cover financial issues at headquarters.

Leave administration

UNFPA has not maintained a single integrated leave records system for all staff. The existing systems are both manual and computerized, and as a result compensating processes occur to maintain a reliable set of leave records and to identify and correct anomalies.

Asset management

A new asset management system was implemented. However, challenges remained in obtaining reliable certification of balances from country offices, in obtaining physical counts to be performed in all locations, and in training personnel to maintain the asset management records.

Fraud and presumptive fraud

The Administration reported to the Board eight cases of fraud and presumptive fraud known to it for the biennium ended 31 December 2005, compared with five cases in the previous biennium. Only 124 out of the 133 country offices had submitted this information to headquarters. Therefore, the summary provided by UNFPA might not include all cases of fraud and presumptive fraud.

Recommendations

A summary of the main recommendations of the Board is set out in paragraph 10 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Population Fund (UNFPA) for the biennium from 1 January 2004 to 31 December 2005 in accordance with General Assembly resolutions 74 (I) of 7 December 1946, 47/211 of 23 December 1992 and 49/233 A of 23 December 1994. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto (see ST/SGB/2003/7), as well as the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency, and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements of UNFPA presented fairly its financial position as at 31 December 2005 and the results of operations and cash flows for the biennium, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements for the period from 1 January 2004 to 31 December 2005 had been incurred for the purposes approved by the governing bodies, and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary in order to form an opinion on the financial statements.

3. Pursuant to paragraph six of General Assembly resolution 47/211 of 23 December 1992, the Board continued to maintain its expanded audit coverage at headquarters, the Procurement Services Section in Copenhagen and four field offices in Lesotho, Namibia, China and Thailand.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of Fund operations under financial regulation 7.5. The General Assembly had also requested the Board to follow up on previous recommendations and to report to it accordingly. Those matters are addressed in paragraphs 7 to 9 below.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the present report. The Board continued to report the results of audits to the Administration in management letters containing detailed observations and recommendations. This practice allowed for ongoing dialogue with the Administration. Six management letters were issued covering the biennium ended 31 December 2005.

6. A summary of the Board's main recommendations is contained in paragraph 10 below. The detailed findings are discussed in paragraphs 13 to 207.

1. Previous recommendations not fully implemented

Biennium ended 31 December 2003

7. In accordance with General Assembly resolution 48/216 B of 23 December 1993 and resolution 59/264 A of 23 December 2004, the Board reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 2003.[1] Details of the actions taken and the comments of the Board are included in the report and have been summarized in the annex to the present chapter. Out of a total of 56 recommendations, 31 (55 per cent) had been implemented, while 25 (45 per cent) were under implementation.

Ageing of previous recommendations

8. The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented (as requested by the Advisory Committee on Administrative and Budgetary Questions).[2]

9. Of the 25 recommendations not yet fully implemented, 5 (20 per cent) relate to the biennium 2000-2001 while the balance of 20 recommendations (80 per cent) relate to the biennium 2002-2003. One of the recommendations under implementation referred to improved reporting on governance arrangements in the context of the financial report. Although UNFPA had already made a number of improvements in its financial report, the United Nations system intended to revert to this issue in a harmonized manner in the context of the governance review requested by the Secretary-General in his report on the work of the Organization.[3] Similarly the Board's previous recommendation regarding the funding of after-service health insurance liabilities was being addressed as a systemwide issue. The Board's further comments on these specific outstanding recommendations are addressed elsewhere in the present report.

2. Main recommendations

10. **The Board's main recommendations are that UNFPA:**

Bank and cash

(a) **Reconsider its arrangements with the United Nations Development Programme (UNDP) for quarterly bank reconciliations, with a view to having such reconciliations performed on a monthly basis (para. 27);**

Amounts due from the United Nations Development Programme

(b) **Investigate the discrepancy of $0.48 million between the records of UNFPA and the United Nations Development Programme (UNDP) (para. 29);**

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[1] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7).

[2] See A/59/736 and A/60/387.

[3] *Official Records of the General Assembly, Sixtieth Session, Supplement No. 1* (A/60/1).

Information and communication technology

(c) **In conjunction with UNDP, continue its efforts to address the relevant recommendations made with regard to Atlas controls (para. 40);**

Programme expenditure

(d) **Analyse those qualified, adverse and disclaimed audit opinions received from locally appointed project auditors and disclose in the notes to the financial statements the effect of such qualifications in order to provide information about the potential amount of funds not supported by documentation, expenditure not recorded and other key categories as reported by the project auditors of nationally executed expenditure (para. 59);**

(e) **Intensify follow-up action in respect of country offices that consistently failed to comply with the organizational directives regarding audits of nationally executed expenditure (para. 74);**

(f) **Comprehensively update and maintain the audit report database for nationally executed expenditure so that the financial impact of the modified audit opinions can be quantified (para. 79);**

(g) **Investigate concerns regarding staff funded from project funds and take corrective action where necessary (para. 89);**

Procurement and contract management

(h) **Reinforce the adherence to the procurement procedures at all country offices and update Atlas with the requisitions and purchase orders that have not yet been recorded (para. 105);**

(i) **Investigate the extent of non-recording of manual payments (para. 108);**

(j) **Develop a policy that complies strictly with the United Nations rules on gifts (para. 113);**

Donor reporting

(k) **Monitor the issuing of progress reports to donors, as required by the donor agreements (para. 132);**

Division of Oversight Services

(l) **Approve an internal audit charter detailing the purpose, authority and responsibility of the internal audit function (para. 142);**

(m) **Improve audit coverage on the reliability of the accounting and other data leading to the production of financial statements (para. 144);**

Leave management

(n) **Improve controls in respect of the leave administration process by formalizing standard leave practices across the organization (para. 188);**

(o) **Take reasonable steps to ensure that the leave administration systems provide accurate data in order to determine an appropriate contingency for the leave liability (para. 192);**

Asset management

(p) **Investigate all certification differences in respect of non-expendable property and continue to perform the physical verification annually (para. 198).**

11. The other recommendations of the Board appear in paragraphs 32, 46, 51, 62, 68, 81, 90, 94, 100, 103, 110, 118, 120, 126, 128, 135, 150, 164, 169, 174, 177, 183, 190, 201, 203.

B. Coordination among oversight bodies

12. The Board continually coordinates with the other oversight bodies and experts in the planning of its audits in order to avoid duplication of efforts. This was relevant during the present audit, as a number of management audits and two financial reviews were performed by the Division of Oversight Services. In order to eliminate duplication of efforts, the Board, therefore, considered the work planned and/or performed by the Division of Oversight Services with respect to country offices and migration of the Integrated Management Information System (IMIS) to Atlas in order to determine the extent of reliance that could be placed on the work done by that body.

C. Detailed findings and recommendations

1. Financial overview

13. The financial statements of UNFPA cover regular resources (un-earmarked) and other resources (earmarked). The Board performed an analysis of the financial position of UNFPA as at 31 December 2005. The results of some key financial indicators are set out in table 1 below. These ratios indicate that UNFPA is in a stable and healthy financial position.

Table 1
Ratios of key financial indicators

	Regular resources		*Other resources*		***Combined***	
Description of ratio	*2004-2005*	*2002-2003*	*2004-2005*	*2002-2003*	***2004-2005***	***2002-2003***
Asset/liabilities[a]	3.53	2.58	3.01	3.59	**3.21**	**3.03**
Cash/liabilities[b]	2.42	2.26	2.90	3.49	**2.72**	**2.81**
Cash/assets[c]	0.69	0.88	0.97	0.97	**0.85**	**0.93**
Advances/assets[d]	0.05	0.003	0.03	0.02	**0.04**	**0.01**

[a] A high indicator reflects a positive solvency position.
[b] A high indicator reflects the extent of cash available to settle debts.
[c] A high indicator reflects a healthy financial position.
[d] A low indicator reflects a healthy financial position.

Regular resources

Income

14. Net contribution income for the biennium was $673.7 million (2002-2003: $538.6 million). The increase of $135.1 million or 25.1 per cent was attributable to the increased support of donors to UNFPA. Higher interest rates throughout the period gave rise to interest income for the biennium of $9.8 million (2002-2003: $8.3 million). Other income of $10 million (2002-2003: $3.9 million) consists of other exchange adjustments and miscellaneous income.

Other resources

Income

15. Net contribution income for the biennium was $365.1 million (2002-2003: $213.1 million). The main component of other income is co-financing, which is split between contributions to trust funds and cost-sharing. The other components are procurement services and the Junior Professional Officers programme.

16. The major reasons for the increase of $152 million in net contribution income were as follows:

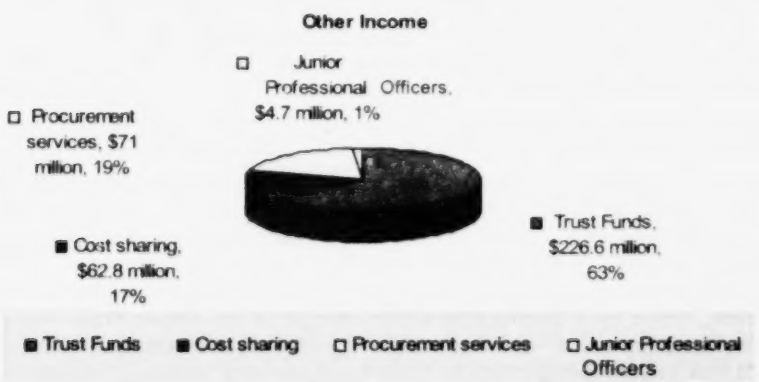
(a) The receipt of a significant contribution of $60.1 million to the UNFPA Thematic Trust Fund for reproductive Health Commodity Security;

(b) The increase of Procurement Services income from $21.6 million (2002-2003) to $71 million in 2004-2005, which was attributable to significant new agreements entered into with Governments and United Nations agencies;

(c) The increase in income of the Junior Professional Officers programme from $0.96 million (2002-2003) to $4.7 million in 2004-2005.

Analysis of components of net contribution income, 2005

(Millions of dollars and percentage)



17. The higher interest rates throughout the period gave rise to interest income for the biennium of $7.8 million (2002-2003: $5.4 million). Other income of $0.77 million (2002-2003: $0.05 million) consists of other exchange adjustments and miscellaneous income.

Regular resources expenditure

Programme expenditure

18. Total programme expenditure for the biennium, which includes expenditure in respect of programme activities and the Technical Advisory Programme, totalled $494.7 million (2002-2003: $421.5 million). Expenditure incurred in respect of the programme activities increased from $390.1 million in the last biennium to $456.3 million in the biennium 2004-2005.

19. Programme activities are summarized by implementing partner, as follows:

Table 2
Programme activity by implementing agency

	2004-2005		2002-2003	
	Millions of dollars	*Percentage*	*Millions of dollars*	*Percentage*
UNFPA	249.7	54.7	185.8	48.9
Governments	146.3	32.1	125.3	33.0
Intergovernmental institutions and non-governmental organizations	49.3	10.8	55.1	14.5
United Nations agencies	11.1	2.4	13.7	3.6
Indirect costs	—		10.1	
Total programme activities	**456.4**	**100**	**390.0**	**100**

20. Expenditures in respect of the Technical Advisory Programme totalled $38.4 million (2002-2003: $31.4 million) as included under programme expenditure. The increase of expenditures is due to the recruitment process for the Country Technical Service Teams, which commenced in 2002, and was completed in the biennium 2004-2005.

Gross biennial support budget

21. Gross biennial support budget expenditure increased from $150.5 million (2002-2003) to $169.5 million for the biennium ended 31 December 2005. The increase between the two bienniums of $19 million was attributable to the low implementation in the biennium 2002-2003 because of the decrease in income. Expenditures increased in the biennium 2004-2005, mainly for security and payroll costs, driven by a deterioration of the strength of the United States dollar in the implementing countries. Net biennial support budget expenditure increased from $132.8 million (2002-2003) to $148.9 million after deducting support costs of $17.7 million (2002-2003) and $20.6 million, respectively. The increase of

$2.9 million in support costs is attributable to the increase in programme activities for the biennium.

Other expenditure

22. Termination payments totalling $1.8 million were approved by the Executive Board at its second regular session of 2002 for the prior biennium. No expenditure against this appropriation was incurred for the biennium ended 31 December 2005. Other expenditure of $3.1 million (2002-2003: $0.06 million) consists mainly of other exchange adjustments.

Other expenditure funded from other resources

23. Other expenditure of $0.03 million (2002-2003: $1.05 million) consists mainly of exchange adjustments.

2. United Nations system accounting standards

24. The Board assessed the extent to which the financial statements of the UNFPA for the financial period ended 31 December 2005 conformed to the United Nations system accounting standards. The assessment confirmed that the financial statements were consistent with the standards.

3. Bank and cash

25. A bank reconciliation is a critical internal control procedure for detecting errors, misstatements and fraud. The Board had previously reported[4] on deficiencies in bank and cash management. UNDP continued to provide treasury services to UNFPA. However, UNDP had not prepared monthly bank reconciliations throughout the year for 13 UNFPA bank accounts. Only two bank reconciliations had been prepared, one for the year ended 31 December 2004 and the other for the year ended 31 December 2005.

26. The Board has noted that, as a result of discussions with UNDP, UNFPA bank accounts managed by UNDP were subsequently being reconciled against the sub-ledgers on a quarterly basis. In addition, UNDP has arranged for UNFPA to have Internet access to bank statements. As a compensating control, UNFPA verified entries in the bank statements obtained through the web against the entries in the Atlas modules on a monthly basis. UNFPA also informed the Board that the adequacy of the quarterly reconciliations would be monitored at regular meetings between UNFPA and UNDP. The Board considers that quarterly bank reconciliations might not be sufficient.

27. **The Board recommends that UNFPA reconsider its arrangements with UNDP for quarterly bank reconciliations, with a view to having such reconciliations performed on a monthly basis.**

4. Amounts due from the United Nations Development Programme

28. UNFPA relies on UNDP to make payments on its behalf at various country offices. It disclosed a receivable of $30.35 million for amounts due from UNDP as

[4] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 167.

at 31 December 2005 (2003: $7.06 million). The amount shown in UNDP financial statements as at 31 December 2005 was $29.86 million. The difference between the amounts reported by the two organizations is $0.48 million.

29. **UNFPA agreed with the Board's recommendation to investigate the discrepancy of $0.48 million between the records of UNFPA and UNDP.**

30. UNFPA informed the Board that resources would be dedicated to reconcile differences in 2006. UNFPA and UNDP would review the reconciliation on a monthly basis. The setting of the inter-fund accounts would also be changed to "control accounts", thereby not allowing users to make manual adjustments to this self-balancing account.

5. Accounts receivable

31. Other accounts receivable amounted to $8.6 million as at 31 December 2005 ($5.7 million in 2002-2003). The increase of $2.9 million is mainly due to an increase in advances to staff of 56 per cent and an increase in accrued interest of 75 per cent. Education grant advances amounting to $0.2 million were outstanding for a period exceeding one year. Although these advances were settled by staff members, they were still recorded as staff advances. Receivables were therefore overstated by $0.2 million while expenditure was understated by the same amount. The Board is concerned about the effectiveness of the monitoring controls in place to ensure that when staff education grants are cleared they are recorded as expenditure. While IMIS records showed full settlement of education grant advances, these were not mirrored in Atlas. UNFPA did not believe that there is an impact on expenditure.

32. **The Board recommends that UNFPA review the long outstanding education grants to ensure that they are accurate and valid; address any system anomalies; and, for any advances that are resolved, ensure that the appropriate adjustments are made to the records in a timely manner.**

33. UNFPA informed the Board that system anomalies have been reported to UNDP.

6. Write-off of losses of cash, receivables and property

34. **For the biennium 2004-2005, the Administration informed the Board that there was no write-off of cash, receivables or property.**

7. Ex gratia payments

35. **The Administration informed the Board that no ex gratia payments were made during the biennium 2004-2005.**

8. Information and communication technology

Enterprise Resource Planning System (Atlas)

36. The total development cost for the Enterprise Resource Planning System (Atlas) approved by the Executive Board was $13.8 million. Expenditures of $6.7 million were incurred in the biennium ended 31 December 2005 (2002-2003: $7.3 million). Cumulative expenditures since inception totalled $14 million.

Developments in Atlas

37. The UNDP Office of Audit and Performance Review contracted a vendor to conduct an Atlas internal control review. This review was also applicable to the Atlas implementation at UNFPA. Further detailed findings and recommendations of the Board in respect of the Atlas system are included in the Board's report[5] on UNDP (lead agency) for the biennium ended 31 December 2005.

38. A number of the recommendations identified by both the Board and subsequently by the consultant for the Office of Audit and Performance Review have already been addressed in Atlas Wave II initiatives. These included:

(a) The implementation of a global human capital management system for international professionals, United Nations volunteers, service contracts and special service agreements;

(b) The implementation of an enterprise information management system to leverage the data warehouse capability of Atlas;

(c) The extension of external access to Atlas through the implementation of e-procurement within the parameters of a row-level security framework within Atlas;

(d) The rationalization and simplification of management reports and reporting tools including the Atlas data quality dashboard, the executive snapshot and the roll-out of the reporting guide to Atlas reports;

(e) The redesign of revenue management, Euro ledger and donor reporting in Atlas;

(f) The enhancement to meet United Nations agency harmonization and reporting requirements;

(g) The roll-out of the revised Atlas training strategy.

39. UNFPA was monitoring the recommendations made by the Office of Audit and Performance Review and considered that critical recommendations had been implemented. While significant progress has been made, there were still various outstanding issues to be finalized by UNFPA, either independently or with UNDP.

40. **UNFPA agreed with the Board's recommendation that, in conjunction with UNDP, it continue efforts to address the relevant recommendations made with regard to Atlas controls.**

[5] A/61/5/Add.1

9. Programme expenditure

41. Programme expenditure (funded from other resources) for the biennium totalled $321.4 million (2002-2003: $233.6 million). Expenditure incurred in respect of the programme activities increased from $233.6 million in the last biennium to $321.5 million in the biennium 2004/2005. This increase is mainly attributable to the increase in contribution income during the biennium. No expenditure in respect of the Technical Advisory Programme was incurred for the biennium ended 31 December 2005, while $0.04 million had been incurred in the previous biennium.

42. Nationally executed programme expenditure for regular resources implemented by Governments amounted to $146.3 million for the biennium 2004-2005 (2002-2003: $125.3 million). Nationally executed expenditure implemented by non-governmental organizations amounted to $49.3 million for the biennium 2004-2005 (2002-2003: $55.1 million). Programme expenditure implemented by other United Nations agencies amounted to $11.1 million for the current biennium (2002-2003: $13.7 million). Accordingly, total nationally executed expenditure amounted to $206.7 million for the biennium 2004-2005, compared to $194.1 million for the previous biennium.

Operating funds

43. Net operating funds as at 31 December 2005 were $16.1 million (31 December 2003: $3.3 million). The increase of $12.8 million was due to the increase in project activity and long outstanding amounts.

44. United Nations agency balances disclosed under operating funds were incorrectly disclosed owing to an error in presentation. UNFPA acknowledged the error, but did not propose to make an adjustment in the balance sheet in the current biennium as the amount of $200,000 was not considered material.

Operating fund advances

45. The Board selected a sample of 15 operating fund advance balances as at 31 December 2005 to verify the validity, accuracy and completeness of those balances. However, certificates of expenditure, amounting to $204,823 for the 13 projects of the sample selected, could not be provided for audit purposes. For the remaining two projects, certificates of expenditure were furnished, but a difference of $154,838 was noted between the balance as per the certificates and the balance as per the general ledger. UNFPA could not furnish reasons for the delay.

46. **UNFPA agreed with the Board's recommendation to take urgent steps to follow up the differences noted with regard to operating fund advances.**

47. UNFPA informed the Board that it has sent operating fund advances reconciliations to the majority of country offices and should complete the reconciliation exercise by August 2006.

Ageing of balances of operating fund advances

48. The age analysis of the balances of operating fund advances as at 31 December 2005 was as follows:

Table 3
Ageing of balances of operating fund advances
(Thousands of United States dollars)

Operating fund advances balance as at 31 December 2005	*Days Outstanding*				
	0-90	*91-180*	*181-270*	*271-360*	*361 and over*
16 059[a]	8 425	3 095	2 480	681	1 378
Percentage	53	19	15	4	9

[a] Including United Nations organization balances.

49. An amount of $4.54 million (28 per cent) was outstanding for a period of 180 days or more as at 31 December 2005. This might be an indication that the implementing partner had not spent or reported advances received in a timely manner, which might be due to slow progress on projects. UNFPA has taken steps during the biennium to follow up these advances. It compiled an age analysis in November 2005 and was confident that the analysis would assist in the follow-up and clearing of long outstanding balances.

Advances to implementing partners

50. Advances to implementing partners, as disclosed, had grown since the previous biennium from $3.64 million to $16.09 million, thus indicating that additional efforts may be needed in this area. The table below provides the relevant extract from statement 2 to the financial statements, which reflects the extent of unspent funds.

Table 4
Advances to implementing partners included in the financial statements
(Thousands of United States dollars)

	Regular resources		*Other resources*	
	2004-2005	*2002-2003*	*2004-2005*	*2002-2003*
Analysis of other assets				
Operating funds provided to:				
Government	9 254	6 652	3 334	1 446
United Nations agencies	945	439	3 135	
Intergovernmental institutions and non-governmental organizations	2 862	3 345	1 262	2 102
Total	**13 061**	**10 436**	**7 731**	**3 548**
Analysis of other liabilities				
Operating funds payable to:				
Government	3 130	2 520	453	21
United Nations agencies	259	5 662	79	322

	Regular resources		Other resources	
	2004-2005	2002-2003	2004-2005	2002-2003
Intergovernmental institutions and non-governmental organizations	628	1 893	154	248
Total	**4 017**	**10 075**	**686**	**269**

51. **The Board recommends that UNFPA continue to clear funds advanced to implementing partners in a timely manner.**

Nationally executed expenditure control framework

52. Pursuant to General Assembly resolution 56/201 of 21 December 2001 on the triennial policy review of operational activities for development of the United Nations system, UNDP, the United Nations Children's Fund (UNICEF), UNFPA and the World Food Programme (WFP) (United Nations Development Group Executive Committee agencies) adopted in September 2005 a common operational framework for transferring cash to governmental and non-governmental implementing partners. The Framework for Cash Transfers to Implementing Partners was envisaged to reduce significantly transaction costs due to United Nations administrative procedures.

53. The Framework sets out the principles of cash transfer modalities, harmonized procedures, capacity assessments, cash transfer procedures, assurance activities and the implications of the Framework on the programme process. The assurance activities include scheduled audits of the financial management systems of implementing partners.

54. Agency-specific guidance already existed for on-site reviews and programmatic monitoring activities. Guidance for the management of the audit services is set out in annex IV of the Framework in technical note 4, "Terms of reference for financial audit of implementing partners", which describes the requirements for the expected content of audit reports. The Framework has not yet been fully implemented and will only be applicable to the 2006 and future audits. However, the Board has made some observations, as detailed below, on the current situation at UNFPA.

Nationally executed audit reports

55. An audit report, prepared by a locally appointed project auditor, on the nationally executed advances and expenditure for each project/advance for each year was submitted to UNFPA. The Division for Oversight Services analysed the qualified audit reports received for 2004.

56. Some reasons for the qualifications were as follows: insufficient documentation existed to verify expenses incurred; expenses were incurred but not recorded on financial statements; no bank confirmations were received; cash losses were incurred due to misappropriation of funds; and financial forms were not accurate.

57. The Board reviewed the recommendations issued in 2005 by the Division for Oversight Services in order to identify discrepancies in respect of the project audits. These discrepancies are summarized as follows:

(a) Financial forms had not been submitted in a timely manner by the implementing agencies;

(b) Implementing agencies had submitted certificates of expenditure that were incomplete and had not checked for budget availability and accuracy before processing thereof. The responsible official had not signed the certificate submitted by the implementing agencies as proof of review;

(c) Authorized officials of the implementing partners had not signed the certificates of expenditure for accuracy, validity and completeness;

(d) The executing agencies had not included all financial forms in the audit reports;

(e) Implementing agencies had not included adequate supporting documentation to support expenditures.

58. These findings were based on sample audit tests performed by the Division of Oversight Services in Armenia, Bolivia, Burundi, Cambodia, Kenya, Nepal, Pakistan, the Sudan, Tajikistan, and Zambia. The Board is concerned about the number and nature of the discrepancies identified relating to nationally executed and related programme expenditure. The financial statements do not disclose information such as the potential amount of funds not supported by documentation, expenditure not recorded and other relevant information.

59. **The Board recommends that UNFPA analyse those qualified, adverse and disclaimed audit opinions received from locally appointed project auditors and disclose in the notes to the financial statements the effect of such qualifications in order to provide information about the potential amount of funds not spent appropriately as reported by the project auditors of nationally executed expenditure.**

Appointment of project auditors of nationally executed expenditure

60. With regard to the appointment of locally appointed auditors of nationally executed expenditure, the Board had previously recommended[6] that UNFPA include in its monitoring tools details of the appointment of auditors of nationally executed expenditure and use such details to verify compliance with the criteria set forth in the UNFPA Policies and Procedures Financial Manual.

61. In accordance with the Manual, implementing partners are responsible for the appointment of project auditors, but country offices may intervene if necessary. The monitoring database includes details of the particular audit entities appointed to audit nationally executed projects, but the details in the risk database maintained by the Division for Oversight Services were incomplete. Although there has been improvement in the completeness of the data included in the database (86 per cent in 2005 compared to 82 per cent in 2004), some project details, such as whether such

[6] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 87.

audit entities were appointed by the implementing partners or the relevant country offices, were not complete.

62. **UNFPA agreed with the Board's reiterated recommendation to maintain its project audit database with complete information on the appointing authority for project auditors.**

63. The Board had previously recommended[7] and UNFPA had agreed that its directives on nationally executed expenditure should include specific procedures and predetermined criteria to ensure that auditors of the required independence, integrity and technical competence are appointed and that compliance with those directives are monitored by the country office. While this issue was addressed in the new framework, only 82 per cent of audit plans submitted for 2005 were assessed as being adequate by the Division for Oversight Services. This raises further doubt about whether the appointed auditors are able to provide relevant and reliable audit reports. Delays were still noted in the submission of audit plans by certain country offices.

64. UNFPA agreed with the Board's recommendation to continue to monitor carefully and address the adequacy of the project audit plans, and to intervene in the process when implementing partners and their auditors do not comply with the applicable directives.

Terms of reference and audit scope of auditors of nationally executed expenditure

65. The Board had previously recommended[8] and UNFPA had agreed to the following:

(a) To ensure that standard terms of reference are agreed to by the country office and the implementing partners and the auditors of nationally executed expenditure and that the scope and format of the audit are consistent;

(b) To compile a mandatory checklist of the standard requirements to assist country offices in adhering to the requirements of the UNFPA Policies and Procedures Financial Manual and the Framework for Cash Transfers to Implementing Partners.

66. The Board noted a lack of evidence that the terms of reference had been provided to the project auditors. As a result, inconsistencies existed in the audit scope and audit objectives and, consequently, audit reports were of different quality and the audits had different objectives. This did not facilitate the performance of risk assessment for each project and monitoring of the evaluation of the results.

67. With regard to the aforementioned recommendations, certain shortcomings and inconsistencies existed in the UNFPA Policies and Procedures Financial Manual regarding the audit objectives, audit scope and audit reporting, which have yet to be addressed by UNFPA.

68. **UNFPA agreed with the Board's recommendation to update and circulate the UNFPA Policies and Procedures Financial Manual to reflect the revised terms of reference in terms of the changes in the resource transfer modality**

[7] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 89.
[8] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 97.

framework. The Board further reiterates its recommendation that UNFPA ensure that the scope of project audits is consistent.

Country office action plans

69. The Board had previously recommended[9] that UNFPA include in a consolidated database all country office action plans relating to the audit reports on nationally executed expenditure. By December 2005, the Board noted that the new risk-based database did include details of action plans of country offices, but the database was yet to be completed for all country offices.

70. The Division for Oversight Services utilized the comprehensive audit and recommendation database system to track the status of implementation of audit recommendations following audits of country offices. After audit reports of country offices are issued, the offices are requested to enter and update their proposed follow-up actions into the web-based audit recommendations management system. The Audit Services Branch did review the follow-up done by country offices during management audits and recognized that capacity-building of country offices was required in that area.

Submission of audit reports of nationally executed expenditure

71. In terms of the UNFPA Policies and Procedures Financial Manual, audit reports on nationally executed expenditure should be submitted to headquarters by 31 March of the year following the audit. While the Board acknowledged the high audit coverage of nationally executed expenditure in the previous biennium (59 per cent), it remained concerned over the late submission of the audit reports to UNFPA headquarters by the country offices.

72. Although the new Framework for Cash Transfers to Implementing Partners did not include specific dates for the submission of audit reports, the timely submission of audit reports and the updating of the risk database were of concern, as these reports were used to monitor the proper appropriation of nationally executed expenditure of $195.6 million (2003: $135.6 million) for the biennium ended 31 December 2005.

73. The UNFPA internal audit database reflected a total of 1,406 projects for the year ended 31 December 2004, of which 904 projects (64 per cent) had been audited. Audit reports for only 789 of these 2004 expenditures (87 per cent) had been received as at October 2005 and were in the process of being evaluated.

74. **UNFPA agreed with the Board's recommendation to intensify follow-up action in respect of country offices that consistently failed to comply with the organizational directives regarding audits of nationally executed expenditure.**

Audit coverage of nationally executed expenditure

75. Nationally executed expenditure of $113.2 million (excluding direct payments) was incurred for the year ended 31 December 2004, of which $85.5 million (76 per cent) had been locally audited by October 2005. Nationally executed expenditure of $105.2 million was planned to be audited for the year ended

[9] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 112.

31 December 2005. By May 2006, the actual data for 2005 had not yet been submitted to the Board.

76. The Board had previously recommended[10] and UNFPA had agreed to quantify the financial effect of audit qualifications made in respect of nationally executed expenditure and to evaluate such qualifications against action plans for reasonableness. Numerous project audit reports were noted in which internal control weaknesses had been reported, as well as instances in which the prescribed financial forms submitted were incomplete or had not been submitted at all. Owing to capacity constraints, UNFPA did not quantify the financial effect of all the qualifications, and in some instances the reasons for the qualifications were also not documented on the audit report database.

77. The Board had previously reported that UNFPA headquarters did not maintain a database that included a history or trend analysis of the audit process in respect of nationally executed expenditure, with a view to assessing the project risk in various country offices. A risk database had been implemented and was being administered by the Audit Services Branch. However, again owing to capacity constraints in the Audit Services Branch, the newly implemented database was not yet functioning as effectively as intended.

78. The Board compared nationally executed expenditure by implementing partners for the biennium ended 31 December 2005 with the Audit Services Branch database, Atlas, the reports received from project auditors and the financial statements for the biennium, and it noted differences. These differences cast doubt on the accuracy of the database or the reports used. UNFPA indicated that it expected differences between the databases and the general ledger due to timing and other differences, resulting in reconciliations having to be performed. These limitations are to be addressed through revisions of the database design.

79. **The Board recommends that the audit report database for nationally executed expenditure be comprehensively updated and maintained so that the financial impact of the modified audit opinions can be quantified. The Board further recommends that UNFPA determine the resources needed to maintain the database effectively.**

Cost of audits of nationally executed expenditure

80. The Board noted that UNFPA has recorded data in respect of audit costs on the audit report database where such information was available, but in some instances UNFPA has been unsuccessful in obtaining the information from the various country offices. As at July 2006, for the year ended 2004, costs for 80 per cent of audits carried out were recorded, while for the year ended 2005, total audit costs were recorded in all but four of the project audits.

81. **UNFPA agreed with the Board's reiterated recommendation to continue to maintain its database with complete information in respect of project audit costs.**

[10] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 117.

10. Other expenditure

Staff on project-funded posts performing biennial support budget functions

82. The summary of programme activities in the provisional financial statements for 31 December 2005 included programme expenditure for UNFPA of $108.7 million, of which $10.94 million was utilized for funded posts of project staff. An analysis of the biennial support budget-funded posts (international Professional and headquarters General Service staff) and project-funded headquarters posts was based on IMIS reports generated on 24 April 2006 from the Division of Human Resources, and is reflected in the table below:

Table 5
Staffing numbers for 2004 and 2005 in posts funded by the biennial support budget vs. project-funded posts

Year	*Professional staff on biennial support budget-funded posts*	*General Service staff on biennial support budget-funded posts*	*Professional project-funded posts (including appointments of limited duration)*	*General Service staff on project-funded posts (including appointments of limited duration)*
2004	184	92	177	28
2005	201	101	213	38

83. Some UNFPA staff working on tasks under the biennial support budget were appointed on project-funded posts since there were no funds to appoint staff on the biennial support budget. Furthermore, these project posts had not been approved by the Executive Board even though the appointed staff members were performing biennial support budget functions. Due to this allocation of staff between projects and the biennial support budget, travel expenses, which should have been allocated to biennial support budget travel were allocated to project funds, leading to an apparent saving on the biennial support budget, which it was not.

84. Furthermore, the Board reviewed a list of all UNFPA internationally recruited staff and headquarters General Service staff placed on project-funded posts as at 3 October 2005. The list included 94 organizational units and 280 staff members allocated under the different units. Forty-eight staff members were Junior Professional Officers and 44 were staff on appointments of limited duration (ALD). The Board noted that staff appointed on regular posts under the 100 series of the Staff Rules were assigned to project-funded posts within UNFPA that were reserved for staff under the 200 series of the Staff Rules.

85. On review of the appointment letters and performance appraisal and development reports of 40 staff members, the Board noted that these documents did not specify their duties and responsibilities with regard to the specific project for which they were appointed. Accordingly, the Board was concerned that 5 per cent of staff placed on the project-funded 200 series contracts were not working on project assignments and should actually be funded from the biennial support budget.

86. Staff on project-funded posts, which should be funded from the biennial support budget, could be found at various grades throughout the organization. Four

staff were funded from core funding posts. These posts were to be funded from project funds and not the biennial support budget.

87. During 2005 and 2006 UNFPA advertised vacant posts. The Board scrutinized the post titles and found that the duties and responsibilities were not solely related to projects and should possibly not have been funded from project funds. The following are examples:

Table 6
Vacant posts advertised in 2005 and 2006

Category	*Vacancy no.*	*Post title*	*Organization unit*
ICS10 L-3	VA/FPA/26/2006	Finance and management coordination specialist (New York)	Directorate of the Division for Management Services
L-4	VA/FPA/089/2005	Strategic planning specialist (New York)	Strategic Planning Office/Office of the Executive Director
L-2 ALD-3	VA/FPA/088/2005	Thematic trust fund specialist (New York)	Information and External Relations Division
L-5	VA/FPA/090/2005	Regional adviser, Monitoring and evaluation (Addis Ababa)	Africa Division
ALD-3	VA/FPA/086/2005	Public affairs analyst (New York)	Information and External Relations Division

88. While the Board recognizes budget constraints, the complexities of managing a complex organization and the fact that the posts of some staff members could not be divided exclusively between biennial support budget and project functions, it raised the following concerns:

(a) Insufficient/ineffective control existed over the appointment of staff on programme activities funds;

(b) Project-funded posts were not detailed in the biennial support budget for 2004-2005 approved by the Executive Board (although they were detailed in individual country programmes);

(c) Project-funded posts were subject to continued project funding and no clear guidelines existed as to what should happen when funds were fully absorbed.

89. **The Board recommends that in connection with staff funded from project funds performing biennial support budget tasks, UNFPA should investigate the concerns raised and take corrective action where necessary.**

90. **UNFPA further agreed with the Board's recommendation that the divisions and offices of UNFPA ensure that project funds are used for activities that contribute to the achievement of the project's objectives and are included in the project's workplan and budget.**

91. UNFPA indicated that it was working with UNDP and UNICEF to design a new budget format that would cater for greater flexibility in hiring. UNFPA also indicated that it had established a committee to review and approve the creation of programme-funded posts.

11. Procurement and contract management

Open purchase orders

92. Purchase orders were left open in Atlas when they did not reconcile and thus could not be closed, even though often the goods/services relating to those purchase orders had been received and paid for. A printout was received of all open orders as at 5 September 2005, from which all open purchase orders older than six months were selected. The following are examples of open purchase orders extracted from the printout:

Table 7
Open purchase orders

PO No	*Dispatched*	*Receipt status*	*Item description*	*United States dollar amount*
2761	12/10/2004	Received	Medical	1 694 800
2898	19/10/2004	Received	Medical	6 755
4545	08/02/2005	Not received	Oral pills	22 620
5120	31/12/2004	Unknown	Male condoms	371 172
4977	08/03/2005	Partial	Medical	177 860
3823	09/12/2004	Unknown	Medical	2 068 390
3441	16/11/2004	Unknown	Medical equipment	14 446
Total				**4 356 043**

93. Adequate data cleaning has not been undertaken. The objective of purchase order data cleaning was to ensure that expenditure in the general ledger and commitment control and projects was accurate, complete and recorded in the correct year.

94. **UNFPA agreed with the Board's recommendation to review purchase orders that are open for long periods and to close all purchase orders as soon as the goods/services had been received.**

95. UNFPA informed the Board that action was being taken by the Expediting and Finance Assistant to review all open purchase orders with a view to either closing them immediately or directing buyers' attention to the purchase orders so that remaining problems could be addressed, leading to closure. In addition, UNFPA informed the Board that all Procurement Services Section buyers had completed the purchase orders reconciliation work bench training and had been instructed to run the work bench monthly, closing every possible purchase order.

Goods received not updated on Atlas

96. In accordance with the requirements of the UNFPA Financial Manual, upon physical delivery of goods to their destinations and after inspection of the same, the authorized official in the office shall record in Atlas that the goods have been physically received. For goods received in good order, the ticking of the "physically received" checkbox in the Atlas system replaces the receipt and inspection report. For goods that are not received in good order, the officer responsible for receiving the goods shall note this in the Atlas system and fill in the receipt and inspection report.

97. All supplies, equipment and other property received by UNFPA (both at headquarters and country offices) are required to be inspected immediately to ensure that they are in satisfactory condition and meet the terms of the purchase order. Any discrepancies must be reported by means of a duly completed and signed receipt and inspection report immediately to the office issuing the purchase order.

98. The Board reviewed a report from Atlas on all headquarters and country offices purchase orders for 2004 and 2005. For 95 per cent of items in the report, the "physical receipt" checkbox in Atlas was not ticked, indicating that goods received were defective, damaged or not in compliance with the purchase order. However, only very few receipt and inspection reports were sent to the office issuing the purchase order. Although the checkbox was not ticked, alternative audit procedures indicated that the goods had been received.

99. While the Board noted that payments related to the purchase orders were not subject to the receipt of the receiving and inspection report, long time delays and inadequate follow-up procedures could compromise the right of recourse against the supplier for damaged goods delivered. Even though regular reminders were sent to complete receiving and inspection reports in a timely manner and accurately, the Board observed at both headquarters and country offices that with regard to purchase orders for 2004 and 2005, the "physical receipt" checkbox in Atlas had not been ticked.

100. **UNFPA agreed with the Board's recommendation that it monitor "physical receipt" checkboxes in Atlas that had not been ticked, as well as follow-up on receipt and inspection reports not received.**

101. UNFPA informed the Board that the Procurement Services Section would monitor the completion of physical receipts and that the order tracking system would facilitate this. The requirement has also been reinforced at procurement training workshops.

Expenditure tracking

102. UNDP processes payments for UNFPA country offices. However, UNFPA has no means of determining if the actual payment has been made to the suppliers. UNDP does not submit any documentation to UNFPA indicating that payment has been made. Also, on an Atlas report, the payment date stated was not a true reflection that the actual payment had been made.

103. **UNFPA agreed with the Board's recommendation that, in conjunction with UNDP, it should implement a mechanism for country offices to track payments.**

Purchase orders not entered on Atlas in a timely manner

104. At the Namibia country office, the Board noted that purchase orders totalling $98,085 were entered onto the system after the date of the invoice. This weakness indicates that purchase orders were not raised on the system prior to procurement of the goods and services. This weakness is also an indication that expenditure recorded on Atlas could be understated (under the accrual basis of accounting) as goods or services might have been received by UNFPA but have not yet been recorded in Atlas.

105. **UNFPA agreed with the Board's recommendation (a) to reinforce the adherence to the procurement procedures at all country offices and (b) to update Atlas with the requisitions and purchase orders that had not yet been recorded.**

Amounts reflected as paid by UNFPA on supplier statements but not on Atlas

106. Atlas allows the possibility of manual payments. In such cases, a cheque is written and the disbursement is recorded post facto as a manual payment. According to UNDP policy, such payments should not exceed 5 per cent of total payments. In country offices where UNFPA did not operate a bank account, UNFPA had no control as to how the disbursement was made, especially if it was made from a UNDP account.

107. For example, payments totalling $106,681 were made to a supplier. However, these payments were not recorded on Atlas. As a result, the accounting records on Atlas were incomplete. This problem also indicated that reconciling items on bank reconciliations had not been properly cleared.

108. **UNFPA agreed with the Board's recommendation to investigate the extent of non-recording of manual payments.**

Strategic results framework indicators not clearly defined

109. The Board reviewed the strategic results framework to determine if the goal and outcome indicators defined clearly the roles and functions that UNFPA is supposed to perform and for which UNFPA is accountable. The goal and outcome indicators of the strategic results framework were not always clearly defined to indicate what results UNFPA is accountable for.

110. **UNFPA agreed with the Board's recommendation that it continue its efforts to improve the structure of the strategic results framework in order to achieve the organizational goals.**

Gift policy

111. According to Regulation 1.2 (l) of the United Nations policy on the status, basic rights and duties of United Nations staff members (ST/SGB/2002/13, dated 1 November 2002), "No staff member shall accept any honour, decoration, favour, gift or remuneration from any non-governmental source without first obtaining the approval of the Secretary-General".

112. The Procurement Services Section implemented a policy whereby any gifts received by staff members are recorded in a register kept by the Chief, Procurement Services Section and such gifts were retained. Once per annum, all gifts received

were pooled with those of the UNDP Inter-Agency Procurement Services Organization (IAPSO) and disposed of by raffle among all staff of both organizations. Even though gifts were received from suppliers by the Procurement Services Section and at country offices, among others, UNFPA did not have a policy covering ethics, gifts and offers of hospitality. In addition, there was no evidence of approval from the Secretary-General for the receipt of such gifts.

113. **UNFPA agreed with the Board's recommendation to develop a policy that complied strictly with the United Nations rules on gifts.**

Procurement planning

114. Procurement planning is essential for the timely solicitation of quotations, bids or proposals, cost efficiency, the award of long-term agreements and reducing delivery lead times. According to the requirements of UNFPA procurement procedures, in an attempt to reduce delivery lead times, the Procurement Services Section urges all country offices to indicate their respective procurement plans for reproductive health commodities in the Country Commodity Manager as early on as possible each year. Based on this information, the Procurement Services Section can alert major manufacturers to schedule their production capacities accordingly.

115. UNFPA country offices were required to prepare the standard procurement plan template and forward this to the Procurement Services Section. Country offices were, however, not adhering to the requirement of preparing the standard procurement plans.

Timing of procurement requests

116. For 2004, UNFPA headquarters raised 832 purchase orders (43 per cent) of a total of 1,935 purchase orders in respect of country offices in the last three months of the year. Furthermore, the UNFPA country offices raised 60 per cent of the procurement requests in the last four months despite repeated requests by the Procurement Services Section to phase requirements over the year.

117. UNFPA informed the Board that action would be taken to provide country offices with assistance in completing the template accurately. The increased customer focus of the regional procurement teams had improved the situation. However, it was recognized that there remained much to be done in that area. The Procurement Services Section had requested all country offices to present their procurement plan during training workshops held in the first half of 2006 and intended to follow up with reminder letters.

118. **UNFPA agreed with the Board's recommendation that country offices provide the Procurement Services Section with detailed annual procurement plans in order to facilitate even distribution of acquisitions throughout the year.**

Lack of environmental management strategy

119. Contrary to the organization's environmental goals, UNFPA lacked a formal written policy on its environmental management strategy. This strategy is necessary in order to procure goods and services that lessen the burden on the environment in their production, use and final disposition and, whenever possible, are also economical. Environmental concerns, such as energy consumption, toxicity, ozone depletion, radiation and the use of recycled materials could hinder the achievement

of UNFPA organizational goals and should be reviewed before finalizing the requirements of goods and services. The Procurement Services Section was in the process of reviewing the document "Sustainable procurement", prepared by the United Nations Environment Programme in collaboration with UNDP/IAPSO to identify and implement an environmental strategy towards suppliers.

120. **UNFPA agreed with the Board's recommendation to review environmental concerns and assess ways in which the procurement function could be aligned with an environmental management strategy, in consultation with other United Nations agencies.**

12. Results-based management

121. In the previous Board report[11] the Board had encouraged UNFPA to continue with its development of results-based management and results-based budgeting in coordination with other organizations in order to benefit from best practices and lessons learned.

122. UNFPA and its partner agencies in the results-based budgeting venture have made progress and reported to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the matter in July 2005 while preparing the 2006-2007 biennial support budget. The Committee praised UNFPA for the efforts made in this area. The plan for results-based budgeting foresees the following milestones:

(a) In June 2006, it was planned to present to joint Boards an options paper on results-based budgeting in order to obtain necessary feedback by the Boards;

(b) Later, in the fall of 2006, the three partner agencies have planned a multilateral session with ACABQ to present a draft mock-up for a results-based biennial support budget. In the same context, ACABQ would be notified of the new methodology underlying the results-based biennial support budget, including derivation of source data from each agency's Enterprise Resource Planning System;

(c) In January 2007, the three agencies plan to submit the final proposal for the results-based biennial support budget to the Executive Board for formal approval;

(d) The latter step would pave the way for the preparation of the first results-based biennial support budget, which UNFPA envisages to submit to the Executive Board in September 2007.

Incomplete country office annual reports

123. Country office annual reports were recently introduced to improve results-based reporting. In 2005, almost 80 per cent of the country offices submitted their annual reports on, or close to the deadline. As of March 2006, some country office annual reports were either incomplete, not completed in a timely manner or not completed at all for 2004-2005, as shown in table 8.

[11] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 260.

Table 8
Country offices with incomplete or absent annual reports for 2005

Chile	Tables 1 and 3 not completed. Annual report for 2004 submitted three months after last year's deadline.
Djibouti	Narrative not completed. Annual report for 2004 submitted one month after last year's deadline.
Lebanon	Narrative not completed, and tables 2 and 3 partially completed.
Lesotho	Table 2 only partially completed. Annual report for 2004 submitted almost six weeks after last year's deadline and in 2003 format.
Lithuania	No annual report.
Mali	Tables only partially completed. Annual report for 2004 only partially completed.
Panama	Narrative not completed.
Somalia	No annual report for the second successive year.
Togo	Table 2 only partially completed.
Uruguay	No annual report for the second successive year.
Venezuela (Bolivarian Republic of)	Tables 1 and 2 only partially completed.
Yemen	Narrative and all tables only partially completed. Annual report for 2004 submitted six weeks after last year's deadline.

124. Furthermore, as of March 2006, the headquarters submission of several reports was either incomplete, not completed in a timely manner or not completed at all for 2005, as shown in table 9:

Table 9
Incomplete headquarters annual reports for 2005

Asia and Pacific Division	Annual reports incomplete.
Division for Arab States, Europe and Central Asia	Annual reports incomplete.
Technical Support Division branches with the exception of HIV/AIDS Branch	No annual report.

125. The submission of the annual reports is monitored and explanations required from those parties who did not comply with the requirements of the annual reports. However, the Board is concerned that this could indicate the existence of inadequate

and ineffective control measures to ensure the completeness, accuracy and timeliness of the relevant reports. These reports are necessary for tracking compliance with the multi-year funding framework goals, and without this mechanism the whole concept of results-based management would be rendered ineffective.

126. **UNFPA agreed with the Board's recommendation to address the incomplete annual reporting on performance results.**

Strategic results framework indicators not clearly defined

127. The Board reviewed the strategic results framework to determine if the goal and outcome indicators clearly defined the roles and functions that UNFPA is supposed to perform and for which UNFPA is accountable. The goal and outcome indicators of the strategic results framework were not always clearly defined to indicate the results for which UNFPA is accountable.

128. **UNFPA agreed with the Board's recommendation that it continue its efforts to improve the structure of the strategic results framework in order to achieve the organizational goals.**

13. Donor reporting

Lack of monitoring of progress reports

129. Over and above core contributions, UNFPA received trust fund and co-financing contributions. These contributions are earmarked for specific projects and therefore the donors enter into agreements with UNFPA that stipulate, among other things, the project, the duration of the agreement, the amount of funds involved and reporting requirements. In the majority of agreements, the donor requires two types of reports from UNFPA, namely, financial and progress reports.

130. From the sample of five donor agreements selected, UNFPA had fulfilled its obligations in relation to the issuing of financial statements. The progress reports indicated the actual implementation progress of the specific projects and were issued at country office level, as those offices have access to all the applicable information. The Board had previously recommended[12] that UNFPA monitor the issuing of progress reports to donors. These progress reports were not forwarded to headquarters. Therefore, it was not possible to determine whether all the required progress reports had been issued during the year.

131. The issuing of the progress reports was not monitored by any unit at headquarters although the responsibility to report project progress rests with the UNFPA office managing the project. The reason given to the Board for this was that there was a lack of clarity at headquarters as to whose responsibility this was, as well as a lack of capacity to perform this function. According to the Resource Mobilization Branch, the only time any follow-up on the issuing of progress reports was done, was when a donor contacted headquarters to enquire about progress reports that had not been received. Follow-ups were then made and the required report forwarded to the donor. The lack of monitoring at headquarters in this regard may lead to donors having to wait for their progress reports.

[12] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 295.

132. **UNFPA agreed with the Board's reiterated recommendation to monitor the issuing of progress reports to donors for projects, as required by the donor agreements.**

14. Shared services

Service-level agreements

133. The Board had reported in its previous report[13] that no agreement existed between UNFPA and UNDP defining the specific services and responsibilities that were supplied. UNFPA informed the Board that due to the implementation of Atlas, UNFPA and UNDP had agreed to postpone the finalization of service-level agreements. UNFPA had hoped to have the service-level agreements concluded by July 2004. In 2005, UNFPA and UNDP concluded and signed off on the agreement relating to the different organizational units.

134. During negotiations on head office service-level agreements, UNFPA had proposed to UNDP that a universal price list be established, similar to what was agreed to for country office services. However, no consensus was reached on this proposal. With regard to the methodology for setting prices, while UNFPA requested that the actual volumes derived from Atlas transactions be used, based on agreed cost drivers, UNDP indicated that it would not be able to implement this approach owing to technical reasons and, therefore, requested that the same costing methodology used in the past be maintained (apportionment to various client agencies of budgeted cost for service provider departments). UNDP also assured UNFPA that a costing methodology based on Atlas would be developed, for the inclusion of future head office service-level agreement updates. UNFPA was in the process of reviewing service-level agreements.

135. **The Board recommends that UNFPA expedite its efforts, in conjunction with UNDP, to establish a costing methodology that is aligned to the level of services received.**

15. Division of Oversight Services

136. In its previous report,[14] the Board reported on the functions of the internal audit branch. The position of Deputy Director has been vacant for approximately one year. UNFPA informed the Board that the position would be filled from September 2006.

Shortcomings in internal audit arrangements

137. As of January 2003, the internal audit function of UNFPA has included risk analyses, accessing control systems, management auditing, monitoring of services received from the UNDP Regional Audit Services Centre, advising UNFPA management, monitoring of project audits for projects executed by Governments and non-governmental organizations, monitoring the implementation of audit recommendations and performing and arranging special investigations.

[13] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 291.
[14] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 272.

138. The then Oversight Committee had not explicitly given a detailed description of the internal audit's position within the UNFPA organizational structure. Although, the Committee had approved the internal audit plan for 2004 in November 2003, the scope of planned activities had not been defined and explained in detail to clarify any expectation gap that might exist. The plan was revised but has not been formally updated, approved and communicated to the rest of UNFPA.

139. Until 14 March 2006, the Chief of the Audit Services Branch was a member of the Management Committee and was thus involved in the deliberation of policies and procedures on management issues. Without an approved charter, the true function, purpose and positive attributes of the internal audit function could be misunderstood by management, while possibly compromising independence.

140. During 2005, the Executive Director decided to strengthen further the oversight procedures of UNFPA by approving an oversight committee of five independent members and a charter consistent with the best international practices. The Oversight Committee has been appointed and is scheduled to meet in the fall of 2006. Although the Committee's functions have been established, a formal charter has not yet been approved. The Board encourages UNFPA to keep under consideration the developments at the United Nations with regard to the comprehensive governance review and the impact thereof on its own arrangements, including the charter of the Oversight Committee.

141. While the Board noted work performed on the migration from IMIS to Atlas, it is concerned that the Division for Oversight Services was not utilized frequently to perform reviews of matters relating to the financial statements and internal control systems. This was mainly due to capacity constraints within the Audit Services Branch. Most of the members of the Audit Services Branch, from the chief of internal audit services to the audit specialists, had among their internal audit qualifications, qualifications as chartered accountants, and they would be able to add value in the audit of financial systems and transactions.

142. **UNFPA agreed with the Board's reiterated recommendation to develop and approve an internal audit charter detailing the purpose, authority and responsibility of the internal audit function.**

Oversight reports

143. Of 58 (2003: 61) UNFPA audits/reviews, investigation and management audits, two (2003: one) related to UNFPA headquarters. As in the previous biennium,[15] there were no audits covering the reliability of the accounting and other data developed by UNFPA for the production of financial statements. The number of audit reports issued in 2005 increased by eight to 26 when compared to 2004. UNFPA considered that even though the number of reports issued had increased from 2004 to 2005, the capacity of the internal audit branch was insufficient and UNFPA planned to increase that capacity.

144. **UNFPA agreed with the Board's reiterated recommendation to improve audit coverage on the reliability of the accounting and other data leading to the production of financial statements.**

[15] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 277.

Assessment of country offices and internal audit recommendations

145. For each country office, the Division for Oversight Services assessed the adequacy of internal controls according to the following ratings: satisfactory, partially satisfactory and deficient. Special audit reports did not have ratings. Table 10 below shows the breakdown by overall rating of the internal audit reports issued for UNFPA during the biennium.

Table 10
Country office assessment

Year	*Satisfactory*	*Partially satisfactory*	*Deficient*	*Total*
2003	7	11	4	**22**
2004	4	10	4	**18**
2005	3	19	4	**26**

146. The Board had previously[16] recommended that UNFPA should follow up with country offices on all outstanding recommendations and enforce the time restrictions given to country offices so as to facilitate a timely response.

147. UNFPA maintained details of recommendations and the responses thereto in the comprehensive audit and recommendations database system. Country offices have direct access (Internet-based) to this database and are required to update the status of implementation of audit recommendations online. Since 2003, UNFPA has delegated the monitoring of the progress of the recommendations to the geographic units.

148. An analysis of the status of implementation of the 2004 audit recommendations revealed that 95 per cent of the recommendations made to country offices had either been addressed or were in the process of being implemented. Only 5 per cent of the recommendations were either open, disputed or without demonstrable action. As of May 2006, the complete 2005 data have not been provided.

149. While the Board acknowledges that some form of monitoring took place by the geographic divisions, the recommendations of internal audits were not being systematically followed up on a continuous basis.

150. **UNFPA agreed with the Board's reiterated recommendation to follow up systematically on the implementation of internal audit recommendations.**

16. Human resources management

Succession planning and vacancy rates

151. In the previous Board report[17] UNFPA had agreed with the Board's recommendation to reduce recruitment lead time and to intensify its efforts to implement workforce and succession planning. UNFPA agreed that the 2005

[16] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 282.
[17] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 198.

workplan of the Division of Human Resources would include, as an output, the development of a succession management framework by the end of 2005, for application in 2006.

152. A succession plan framework had not been formulated by 31 December 2005 as set out in the Division of Human Resources workplan. The lead time in recruiting candidates was shortened by the use of rosters, especially for representative and deputy representative positions. Based on the UNFPA staffing report for biennial support budget-funded posts, the vacancy trends are highlighted in the table below.

Table 11
Vacant positions

	Vacant positions (Percentage)		
Date	*Headquarters (GS posts)*	*Professional (headquarters posts)*	*Professional (country office posts)*
1 January 2005	11.2	8.7	19.2
31 December 2005	7.6	2.6	8.1

153. Based on information obtained from the Division of Human Resources, as at 31 December 2005, there were 23 biennial support budget-funded posts and 30-project funded posts vacant. The majority of the vacant biennial support budget-funded posts are P-5 and D-1 posts, which are the higher ranking positions. Cognizance is taken of the fact that in the latter half of 2005, the Division of Human Resources was advised in certain instances to delay filling existing vacancies by at least six months owing to budgetary constraints.

154. Furthermore, the Board noted that delays in filling positions were due to government clearances for posts and difficulties in attracting candidates for representative positions in hardship locations. A rotation policy had been drafted and approved, evaluation of the job profiles of representatives and deputy representatives had been completed and competency-based recruitment drives for representative and deputy representative posts had been carried out and rosters created. However, the lack of a succession planning framework remains a concern, as previously reported by the Board.[18]

155. While the Board noted that UNFPA had led in the development of the E-recruit system, which would hopefully enhance vacancy administration, it would not significantly impact the speed in filling vacancies. Operating with vacancies places undue pressure on the current staff, which could lead to deficiencies and weaknesses in internal control. This could have been avoided were the required number of staff employed.

156. **The Board reiterates its recommendation that UNFPA strengthen its efforts to formulate and implement a succession planning framework in order to reduce lead times for the filling of vacancies.**

[18] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 198.

Reassignment and rotation of staff

157. In accordance with UNFPA administrative and personnel procedures, the duration of a staff member's assignment is determined by organizational needs, the staff member's welfare and the normal tour of duty at the duty stations according to the International Civil Service Commission classification. Generally speaking, the normal tour of duty in A, B and C duty stations is four years, and three years in D and E (very difficult) duty stations. Reassignment is implemented in such a way as to minimize the duration of vacancies and to maintain continuity of staffing, and normally takes place at year-end or midyear.

158. The Board noted that no annual reassignment exercise had been undertaken in 2005. The main cause for this was that there were delays in the reassignment exercise of 2004, which impacted negatively on the effective date of reassignment, i.e. the staff member's arrival date at the new duty station. The following table reflects examples:

Table 12
Delays in reassignment exercise

No.	*Post*	*Date arrived at duty station*	*Vacancy/replacement*
1	Representative, Côte d'Ivoire	5 December 2005	Replacement
2	Representative, Mali	1 September 2005	Replacement
3	Representative, Pakistan	4 July 2005	Replacement
4	Deputy representative, Honduras	9 December 2004	Vacancy
5	Deputy representative, Jamaica	29 November 2004	Replacement

Note: Reassignment normally takes place at year-end or midyear.

159. In the 2004-2005 biennium, reassignment had not been implemented to minimize the duration of vacancies and to maintain continuity of staffing. The Board noted the steps taken in the 2006 reassignment process, which included a new rotation plan approved by the Executive Committee early in 2006.

Special service agreements

160. The Board reviewed the appointment of consultants through special service agreement by UNFPA and focused on data accessibility and the efficiency of the systems in place. A special service agreement is a contracting tool for the hiring of skilled individuals for a range of short duration activities, whether in the project context or within the UNFPA office. Consultants hired under this special service agreement may be contracted for one or a series of contracts for a period not exceeding 11 consecutive months or 239 working days.

161. In line with the United Nations Office for Project Services (UNOPS) guidelines on special service agreements (UNOPS administers special service agreements on behalf of UNFPA), the requesting official pays fees subject to certification that services or activities have been performed satisfactorily. Obtaining such certification, along with a signed copy of the special service agreement, is an

essential requirement for the personnel to receive the fee stipulated in the agreement. Timely submission of attendance records is also required for payment to individuals on temporary assistance. The completion of the certification of payment is mandatory before payments can be made.

162. Hiring units were required to bring the certification of payment to the attention of the special service agreement personnel. The requesting official is responsible to monitor the special service agreement personnel on an ongoing basis throughout the assignment, and to ensure that the requirements and outputs set forth in the terms of reference are being met. The requesting officer must prepare an evaluation of services or activities performed as compared with the requirements and specifications of the terms of reference. An evaluation report shall be prepared at the commencement of any mandatory breaks and at the end of the assignment.

163. The Board noted that performance evaluation forms were still not completed and attached to the certification for payment form for staff on special service agreements. The guidelines on special service agreements were not complied with and the active roster may not be kept up to date. Furthermore, submission of attendance records were not attached to the certification of payment for temporary staff on special service agreements.

164. **The Board reiterates its recommendation that UNFPA complete the following in connection with staff on special service agreements:**

(a) **Submit evaluation reports in a timely manner;**

(b) **Forward such reports to the hiring unit;**

(c) **Remind requesting units to submit attendance records and evaluation reports prior to the processing of payments.**

165. The UNDP guidelines on control, monitoring and reporting on the use of special service agreements, requires that all country offices provide semi-annual reports on special service agreements issued by them throughout the year. UNFPA uses this guideline as reference for the treatment of all special service agreements.

166. At the four country offices visited (Lesotho, Namibia, China and Thailand) the Board noted that country offices were unaware of the requirement that they had to provide annual reports to the Division of Human Resources on special service agreements for the biennium. As the data are currently in the finance module of Atlas, they were not easily accessible. The Division was in the process of developing a mechanism for country offices to report on their special service agreements.

167. The Division of Human Resources was also designing a web-based application that would enable country offices to report data on the hiring of staff on special service agreements until Atlas Wave 2 is implemented. With Atlas Wave 2, special service agreements would be administered in the human resources module, which would facilitate access to special service agreement data. This would allow UNFPA to monitor compliance with established policies and to provide guidance where needed.

168. The Division of Human Resources analysed the latest special service agreement hiring report from country offices and prepared a report for submission to the Executive Director. The Division prepared a draft staffing policy, which was

currently under internal review, that would clarify the use of contracting modalities for staff and non-staff personnel. As of May 2006, the Division of Human Resources had received only 46 per cent of the annual reports on special service agreements from country offices for the year ended 31 December 2005. Without these semi-annual reports, there was no system of control or monitoring at the Division of Human Resources for special service agreements at country offices, and the Division had no way of knowing which new special service agreements were entered into by the country offices.

169. **UNFPA agreed with the Board's recommendation that it ensure that all country offices with special service agreements in service compile and submit semi-annual reports to headquarters.**

Performance appraisal and development reviews

170. The Board had previously recommended[19] and UNFPA had agreed that it would (a) perform yearly performance reviews in a timely manner in order to ensure that relevant and meaningful individual performance plans could be prepared for the following year; (b) revise timelines for the implementation of the performance appraisal review system; and (c) regularly monitor the performance system to ensure compliance with established deadlines. The new performance measurement process has been documented in the Performance Appraisal and Development (PAD) Guide Book. This system is automated and performance documents and appraisals are done online.

171. The dates for the 2005 PAD assessment were revised as set out in the table below:

Table 13
Performance Appraisal and Development due dates

Due date	*Deliverable*
30 June 2005	Completion of phase 1
1 March 2006	Completion of phase 3 (Part II was not completed in 2005)

172. The Board noted that the target deadlines set out in the performance appraisal and development guidebook and its revisions had not been fully met for the 2005 performance assessment. This indicates the existence of inadequate control measures to ensure that the forms are completed efficiently and in a timely manner.

173. Completion status by country offices and headquarters divisions was announced to all staff on a weekly basis. Even though this approach generated good results, in May 2006 only 82 per cent of country office staff and 64 per cent of headquarters staff had finalized their reports.

174. **UNFPA agreed with the Board's recommendation to adhere to the time frames set out in the performance appraisal and development guidebook.**

[19] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 206.

Evaluating the effectiveness of Atlas training

175. The following reports could not be obtained during the audit of the country offices in China, Thailand, Lesotho and Namibia: listing of debtors and creditors; unliquidated obligations; and ageing of debtors, creditors and advances. Country office staff did not have the necessary training to generate the reports on Atlas and, in some instances, did not know that the reporting function existed even though headquarters provided training immediately upon receipt of a specific request or a demonstrated gap in knowledge.

176. Even though the implementation and usage of Atlas was an ongoing process and various measures have been implemented, the Board is concerned that country office staff do not have the necessary skills and competencies to be able to use the current functionalities available on Atlas effectively.

177. **UNFPA agreed with the Board's recommendation to enhance staff training on Atlas.**

178. UNFPA informed the Board that Atlas training was being incorporated in the training sessions for targeted staff. It planned to also send to all country offices a DVD providing staff with an overview of Atlas characteristics.

Gender balance

179. In September 2003, UNDP approved a new gender in management policy which set the goal of reaching 50/50 gender balance in the organization by 2010. This policy was applicable to all positions at the Professional level and above (up to and including the Assistant Secretary-General level, and to all categories of staff, including national officers and holders of limited-duration contracts).

180. Although UNFPA was not bound to this policy, it aimed to achieve gender balance when recruiting new staff. The Board reviewed the gender balance as at December 2004 and December 2005 to determine the progress made with regard to compliance with the United Nations target of 50/50 gender distribution in the Organization by 2010.

181. The gender balance of UNFPA according to Professional staffing information obtained as at December 2004 and December 2005 was as follows:

Table 14
Comparison of gender distribution

	December 2005				*December 2004*			
	Male	*Percentage*	*Female*	*Percentage*	*Male*	*Percentage*	*Female*	*Percentage*
Professional staff overall (including biennial support budget and Project-funded staff, Junior Professional Officers and staff on assignments of limited duration	231	50	230	50	196	48	210	52
Professional staff on core posts	113	56	88	44	97	53	87	47

182. The Board noted UNFPA efforts with regard to gender distribution. This would be enhanced if UNFPA formulated a plan to ensure compliance with and maintenance of the United Nations gender distribution target set for 2010.

183. **The Board recommends that UNFPA develop a plan to ensure compliance with the gender balance target set for 2010.**

Accumulation of leave balances

184. Leave processing in Atlas was part of Wave 1 implementation (for country office locally recruited staff only) and leave-monitoring in Atlas was also operational. The system automatically accrues 2.5 days of annual leave per month for each staff member, and grants other entitlements manually or automatically, depending on the particular entitlement.

185. Absences of locally recruited country office staff were recorded in the Atlas system by staff with the role of absence processor. Often this role was held by a UNDP staff member, as absence-processing is linked to payroll, and UNDP provided human resources administration services to UNFPA. However, Atlas reports such as leave balance and activity, were not yet "live" and work continued on report development.

186. Leave-monitoring for country office international staff was not yet automated, but would be part of Atlas Wave 2. In the meantime, absence-processing for country office international staff was maintained in hard copy leave report forms in each country office. When an international staff member is reassigned, his/her leave records and leave balances are transferred to the new duty station. There was therefore a risk that leave balances might not be accurate.

187. The Board was concerned that UNFPA leave records were not captured on Atlas by UNDP and hard copies might not be sent to headquarters to ensure that all leave was actually captured in the leave register. Due to the lack of controls and the uncertainty of the completeness and accuracy of the records kept, no tests could be carried out to reconcile the balances of Atlas leave reports with those of the leave register for staff as at 31 December 2005.

188. **UNFPA agreed with the Board's recommendation to improve controls in respect of the leave administration process by formalizing standard leave practices across the organization.**

Leave days forfeited

189. Staff members worked excessive overtime at the country office in Bangkok. The workload resulted in them taking minimal days of vacation leave. Because of this, eight staff members (33 per cent) (2005: 12 staff members or 50 per cent) forfeited leave days at the end of 31 March 2006 owing to their leave balance exceeding 60 days. Furthermore, 65 headquarters staff members (21.6 per cent) forfeited leave days at the end of 31 March 2006. This is of concern to the Board as forced regular leave is an important feature of a good control environment.

190. **UNFPA agreed with the Board's recommendation to perform reasonable advance planning, management flexibility and proper succession planning across all of its units in order to avoid staff forfeiting excess leave, in order to improve the control environment.**

Leave contingent liability

191. The Board had recommended in its previous report[20] that UNFPA, in conjunction with the United Nations and other funds and programmes, review the funding mechanism and targets for providing end-of-service benefits. A review was performed of the calculation of the costs relating to annual leave amounting to $7.6 million (2003: $6.4 million). The calculation was based on an estimation which took into account an average salary based on salary scales and an average number of days of 40 days for staff (15 days for experts). This estimation had been used by UNFPA for a few bienniums. As the actual leave records were not accurate, it was not possible to test the reasonableness of the assumptions on which the estimates were made. Accordingly, a comparison to the leave provision calculated on actual leave records could not be made. UNFPA indicated to the Board that the model used was statistically based and a reliable estimator of overall volumes. Online leave records would be introduced with the implementation of Atlas Wave 2.

192. **The Board recommends that UNFPA take measures to ensure that the leave administration systems provide accurate data in order to determine an appropriate contingency for the leave liability.**

17. Asset management

Opening balances

193. A new asset management system was implemented in 2004. UNFPA transferred all asset data from Win Unifos to Atlas. All data from Win Unifos were uploaded electronically to Atlas. The Board noted a difference of $11.58 million between the prior biennium closing balance (31 December 2003) and the current year opening balance as per the Atlas summary report (1 January 2004) for non-expendable assets. UNFPA disclosed the reason for this difference in note 24 to the financial statements.

Asset management policies and procedures

194. UNFPA policy and procedures on asset management state that an annual physical count at headquarters, as well as in country offices, is required and the results of this physical count reconciled with the data in the asset management module in Atlas. The certified balances of the country office as at 31 December 2005, that did not reconcile with the asset register but were being investigated are shown in table 15.

Table 15
Difference between confirmed balances and asset register
(United States dollars)

Country office	*Confirmed balance*	*Asset register 31/12/05*	*Difference*
Burundi	1 453 320.80	931 357.99	(521 962.81)
Cameroon	1 380 576.84	1 202 178.51	(178 398.33)

[20] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 12.

Country office	*Confirmed balance*	*Asset register 31/12/05*	*Difference*
Côte d'Ivoire	454 522.06	1 381 458.91	926 936.85
Eritrea	1 355 723.78	1 445 418.90	89 695.12
Ethiopia	3 111 082.34	3 313 192.07	202 109.73
Guinea	686 437.66	697 037.66	10 600.00
Jordan	483 592.37	828 591.12	344 998.75
Madagascar/Seychelles	1 000 027.01	1 042 041.46	42 014.45
Mali	1 328 716.64	1 516 129.13	187 412.49
Nigeria	4 889 971.38	4 909 379.98	19 408.60
Sierra Leone	1 026 938.73	1 028 938.73	2 000.00
Somalia	55 861.50	—	(55 861.50)
Swaziland	168 076.61	167 894.61	(182.00)
Yemen	130 910.00	148 607.26	17 697.26
Zimbabwe	1 701 107.78	1 787 832.98	86 725.20
Total			**1 173 193.81**

195. No physical counts were conducted at the China and Thailand country offices at the time of the Board's visit during February 2006 and information from Atlas was being certified as the actual data without performance of physical verifications. The value of assets per the asset management module for China and Thailand were $0.9 million and $0.57 million, respectively.

196. Asset management has improved substantially since the previous biennium as a result of extensive efforts undertaken by UNFPA to ensure that all certifications have been completed and correctly submitted by country offices. However, the Board remains concerned that these discrepancies could jeopardize the integrity of the asset management system, specifically the validity, accuracy and completeness of inventory disclosed in the notes to financial statements for the biennium ended 31 December 2005.

197. UNFPA stated that it recognized the need for training in asset management and was undertaking a worldwide training programme to ensure that country offices were competent with regard to both policies and procedures and the technical application of the asset management module in Atlas. The training was expected to be completed in June 2006. It further noted that Atlas exception reports had been created and would be monitored.

198. **UNFPA agreed with the Board's recommendation to investigate all certification differences in respect of non-expendable property. The Board further recommends that UNFPA continue to perform the physical verification annually. Exception reports detailing adjustments per country office should be generated on a regular basis and used as a tool to monitor and review adjustments and identify possible problem areas.**

Capitalization of assets on Atlas

199. The capitalization module in Atlas, which facilitates direct recording of additions to non-expendable equipment became fully operational only in November 2005. During country office visits to Namibia, Lesotho, Thailand and China, the Board noted that assets purchased during 2005 have either not gone through this capitalization process on Atlas or were entered manually into the asset management module once the purchase order was closed. Although all errors found have since been rectified, the Board is concerned about the controls over the capitalization process at country offices not visited by the Board.

200. UNFPA indicated that since the capitalization feature in Atlas became operational, UNFPA had sent out instructions and several reminders to all concerned staff requiring them to use the capitalization feature consistently. UNFPA was also aware that delays in the registering of new assets could result in incorrect data. Therefore, a work flow process for newly acquired headquarters assets had been introduced, which provided for the registration and tagging of assets at the receiving point. UNFPA had also requested a customization in the Atlas asset management module, which would display a warning message at the requisition and/or purchase order stage if the capitalization box had not been checked, or if the value of a purchase order exceeded $1,000.

201. **UNFPA agreed with the Board's recommendation to monitor the proper capitalization of assets in line with the directives governing non-expendable equipment and take actions to address deficiencies.**

18. Fraud and presumptive fraud

202. UNFPA provided the Board with a summary of cases of fraud and presumptive fraud reported for the biennium 2004-2005. Only 124 out of the 133 country offices had submitted this information to headquarters by 18 July 2006. Therefore, the summary provided by UNFPA might not include all cases of fraud and presumptive fraud for the biennium 2004-2005.

203. **UNFPA agreed with the Board's recommendation to obtain the outstanding fraud and presumptive fraud reports from the country offices and take appropriate action to address the outstanding cases reported.**

204. The Finance Branch has indicated that from 2006, fraud reporting is being included in the monthly financial review checklist to be used by country offices. If a report raises suspicions of fraud, further investigations would be made in accordance with the UNFPA policy on accountability and disciplinary measures.

205. Cases of fraud were reported by eight country offices, as summarized below:

(a) Falsification of cheques by non-staff personnel in a country resulted in a cost of $24,250. UNFPA informed the Board that the matter had been fully investigated by the country office with guidance from the Division of Human Resources and the allegations had been substantiated. No amount had been recovered yet;

(b) During the execution of three projects in Bolivia, the manipulation of public documents, including quotations, invoices and falsification of signatures in payrolls for daily subsistence allowance, were detected. This resulted in a total amount of $18,784 being misappropriated. UNFPA informed the Board that the full

amount had been recovered from the individual and that his service contract, which expired on 30 June 2003, had not been renewed;

(c) Misuse of satellite phones and the resale of SIM cards in a country resulted in a cost of $63,860. UNFPA informed the Board that this was a result of SIM cards used in the phones that were sent in for repairs being stolen. The SIM cards were cancelled/deactivated;

(d) Embezzlement of cash retained from cash advances was reported by the office staff of a country to the value of $1,200. The contract of the non-staff personnel involved was terminated, and no money was recovered;

(e) Theft of telephone equipment by three non-staff personnel in a country to the value of $3,000 was reported. UNFPA informed the Board that the special service agreements of the three individuals concerned had been terminated;

(f) Three vehicles under a project on population and housing census in a country, had been sold by the Government without informing or seeking approval from UNFPA. The Government indicated that it would not be possible to claim back the vehicles from buyers and proposed to compensate with funds obtained from the sale proceeds. UNFPA informed the Board that no amount had been recovered;

(g) UNFPA received allegations of solicitation and taking of kickbacks by personnel at the Liberia country office. Following a preliminary investigation by UNFPA, the case was referred for further investigation. In 2005, the appointment of the staff member concerned was terminated. A recovery of $65,000 was attempted and was successful;

(h) For 2004, a staff member in the Ghana country office had approved four transactions in Atlas using the password of the former Representative. No loss was incurred.

Fraud prevention strategy

206. In its previous report,[21] the Board had recommended that UNFPA develop a fraud prevention strategy. In order to develop the strategy, which should include fraud awareness initiatives, the Board recommended that UNFPA discuss its proposed features with the concerned units of the United Nations and other funds and programmes in order to obtain the benefit of best practice, where available, in specific or all elements being considered.

207. UNFPA, in conjunction with UNDP and the United Nations Office for Project Services, had compiled a fraud prevention strategy, which included training staff on principles of fraud awareness and the publication of a handbook on fraud prevention in 2005 and establishing a fraud hotline by March 2006.

[21] Ibid., *Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7), para. 314.

D. Acknowledgement

208. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by UNFPA as well as to the staff at the country offices.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa
(Lead Auditor)

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit
(Chairman, United Nations Board of Auditors)

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France

28 July 2006

Note: The members of the Board of Auditors have signed only the original English version of the present report.

Annex

Summary of status of implementation of recommendations for the financial period ended 31 December 2005[a]

Topic	*Year first reported*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference in the present report*
1. Financial statements	2002/03		Paragraph 33		1	Paragraph 8
2. Non-expendable equipment	2002/03	Paragraph 42			1	
3. Programme non-expendable equipment	2002/03	Paragraph 51			1	
4. Unreconciled differences	2002/03	Paragraph 57			1	Paragraph 28
5. Liabilities for annual leave, end-of-service benefits and post-retirement benefits	2000/01		Paragraph 62		1	Paragraph 8
6. Hedging activities	2002/03	Paragraph 66			1	
7. Trust fund expenditure	2002/03	Paragraph 71			1	
8. Accounts receivable	2002/03		Paragraph 74		1	Paragraphs 31-33
9. Ageing and clearing of advances	2002/03	Paragraph 83			1	
10. Appointment of auditors of nationally executed expenditure	2000/01		Paragraph 87		1	Paragraphs 52-82
11. Criteria for the appointment of project auditors	2002/03		Paragraph 91		1	Paragraphs 60-62
12. Terms of reference and audit scope for auditors of nationally executed expenditure	2000/01		Paragraph 97		1	Paragraphs 65-68
13. Plans for audit coverage of nationally executed expenditure	2000/01		Paragraph 102		1	Paragraph 69
14. Project audit reports	2002/03		Paragraph 107		1	Paragraphs 71-74
15. Country office action plan	2000/01	Paragraph 112			1	
16. Audit coverage of nationally executed expenditure	2000/01		Paragraph 117		1	Paragraphs 75-79
17. Risk-based database	2002/03		Paragraph 123		1	Paragraphs 76-80
18. Cost of audits of nationally executed expenditure	2002/03		Paragraph 128		1	Paragraphs 80-81
19. Project implementation	2002/03	Paragraph 136			1	
20. Training	2002/03	Paragraph 143, Paragraph 138			2	
21. Contingency plan, information technology facility	2002/03	Paragraph 146			1	

Topic	*Year first reported*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference in the present report*
22. Internal controls	2002/03	Paragraph 152			1	
23. Status of the internal control framework	2002/03	Paragraph 156			1	
24. Payroll interface with the Integrated Management Information System	2002/03	Paragraph 162			1	
25. Bank reconciliation	2002/03	Paragraph 171	Paragraph 167		1	Paragraphs 25-27
26. Accounts payable module	2002/03	Paragraph 174			2	
27. Reports from the Atlas system	2002/03	Paragraph 178	Paragraph 178		1	Paragraph 36
28. Audit trail[b]	2002/03	Paragraph 181			1	
29. Firewall	2002/03	Paragraph 184			1	
30. Required changes as per the release plan	2002/03	Paragraph 187			1	
31. Leave administration and accruals	2002/03		Paragraph 192		1	Paragraphs 184-192
32. Succession planning and recruitment	2002/03		Paragraph 198		1	Paragraphs 184-192
33. Performance appraisal Review	2002/03		Paragraph 206		1	Paragraphs 170-174
34. Consultants, experts and temporary assistance	2002/03	Paragraph 212			1	
35. Special service agreements	2002/03		Paragraph 214		1	Paragraph 160
36. Prerequisites for hiring	2002/03	Paragraph 216			1	
37. Training	2002/03	Paragraph 224			1	
38. Travel	2002/03	Paragraph 235			1	
39. Travel plans	2002/03	Paragraph 238			1	
40. Administration of travel requests	2002/03	Paragraph 241			1	
41. Travel claims plans	2002/03	Paragraphs 246, 249			2	
42. Results-based budget	2002/03		Paragraphs 256, 260		2	Paragraphs 128-130
43. Treasury function	2002/03	Paragraph 264			1	
44. Internal oversight	2002/03		Paragraph 272		1	Paragraphs 139-154
45. Oversight reports	2002/03		Paragraph 279		1	Paragraphs 139-154
46. Assessment of country offices	2002/03		Paragraph 286		1	Paragraphs 149-154
47. Donor reporting	2002/03		Paragraph 295		1	Paragraphs 131-135, 94-110, 118-125
48. Procurement	2002/03		Paragraphs 96-101		1	
49. Purchase orders	2002/03	Paragraph 303			1	

Topic	*Year first reported*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference in the present report*
50. Fraud and presumptive fraud	2002/03	Paragraph 308	Paragraph 306		2	Paragraph 209
51. Fraud prevention strategy	2002/03	Paragraph 314			1	
Total		**31 (56.2 per cent)**	**25 (43.8 per cent)**	**0 (0 per cent)**	**56**	

[a] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5G* (A/59/5/Add.7).
[b] Recommendation no longer applicable.

Chapter III

Audit opinion

We have audited the accompanying financial statements of the United Nations Population Fund, comprising statements numbered I to IV and the supporting schedule and notes for the financial period ended 31 December 2005. These financial statements are the responsibility of the Secretary-General of the United Nations. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary-General as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Population Fund as at 31 December 2005 and the results of its operations and its cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of the United Nations Population Fund operations that have come to our notice, which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations of the United Nations and legislative authority.

Without qualifying our opinions expressed above, we draw attention to the following matter. Governments and non-governmental organizations incurred programme expenditure under the nationally executed expenditure modality. In respect of the biennium, project audit reports provided by independent auditors reflected a significant number of qualifications. The extent of project audit qualifications and the impact thereof could not be determined for the biennium, as these had not been fully analysed by UNFPA. In addition, the effectiveness of internal controls and procedures in respect of nationally executed expenditure could be further improved.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the financial statements of the United Nations Population Fund.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa
(Lead Auditor)

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit
(Chairman, United Nations Board of Auditors)

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France

28 July 2006

Note: the members of the Board of Auditors have signed only the original English version of the present audit opinion.

Chapter IV

Certification of the financial statements

28 April 2006

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

I acknowledge that:

- The Management is responsible for the integrity and objectivity of the financial information included in these financial statements.
- The financial statements have been prepared in accordance with the United Nations system accounting standards and include certain amounts that are based on Management's best estimates and judgments.
- Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Internal Auditor continually reviews the accounting and control systems. Further improvements are being implemented in specific areas.
- The Management provided the Internal Auditor with full and free access to all accounting and financial records.
- The recommendations of the United Nations Board of Auditors and the Internal Auditor are reviewed by the Management. Control procedures have been revised or are in the process of revision, as appropriate, in response to these recommendations.

I am in receipt of a letter of certification from the Director and Comptroller, UNDP Office of Finance which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to UNFPA, as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA Financial Rule 116.2.

(*Signed*) Subhash K. **Gupta**
Director
Division for Management Services

The Chairman of the Board of Auditors
United Nations
New York

Chapter V

Financial statements for the biennium ended 31 December 2005*

Statement 1

Income and expenditures and fund balances for the biennium ended 31 December 2005

1.1 Overview

(Thousands of United States dollars)

		Regular Resources		Other Resources	
INCOME		**2004-2005**	**2002-2003**	**2004-2005**	**2002-2003**
Contributions	Schedule 1	689 211	528 195	365 093	213 118
Exchange Adjustments		(15 464)	10 399	-	-
Contributions - net		**673 747**	**538 594**	**365 093**	**213 118**
Interest Income		9 822	8 338	7 811	5 401
Other Income	Schedule 2	9 978	3 878	768	49
TOTAL INCOME		**693 547**	**550 810**	**373 672**	**218 568**
EXPENDITURE					
Programme Activities	Schedules 3,4	456 286	390 136	321 469	233 535
Technical Advisory Programme	Note 2(i)	38 382	31 389	-	37
Programme Expenditure		**494 668**	**421 525**	**321 469**	**233 572**
Net Biennial Support Budget Expenditure	Schedule 5, Note 11	148 861	132 827	-	-
Implementation of Enterprise Resource Planning System	Note 12	6 669	7 322	-	-
Termination Payments	Note 13	-	1 777	-	-
Other Expenditure	Schedule 2	3 111	58	25	1 053
TOTAL EXPENDITURE		**653 309**	**563 510**	**321 494**	**234 625**
EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE		**40 238**	**(12 700)**	**52 178**	**(16 057)**
Provision for Doubtful Collection of Contributions Receivable		224	734	-	-
Prior Period Adjustments	Note 9	443	17	(512)	(162)
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE		**39 571**	**(13 451)**	**52 690**	**(15 895)**
Fund Balances at 1 January		20 018	39 872	108 657	137 575
Savings on prior period's obligations		2 627	1 330	-	12
Transfers within Reserves					
- to Reserve for Field Accommodation		(1 100)	(2 196)	-	-
- to / from Operational Reserve		(12 539)	(6 039)	-	-
Refunds to Donors			(26)	(2 982)	(11 280)
Transfers within UNFPA Resources					
- to Regular Resources		-	-	(1 271)	(1 753)
- from Regular Resources				10	-
- to Other Resources		(10)	(573)	(249)	(987)
- from Other Resources		58	1 102	249	987
FUND BALANCES AT 31 DECEMBER	Statement 4	**48 626**	**20 018**	**157 104**	**108 657**

* The accompanying notes form an integral part of the financial statements.

		Co-financing		Junior Professional Officers Programme		Procurement		Total Other Resources	
	2004-2005	2002-2003 Schedule 6	2004-2005	2002-2003	2004-2005	2002-2003 Schedule 7	2004-2005	2002-2003
INCOME								
Contributions	289 409	190 535	4 653	957	71 030	21 626	365 093	213 118
Interest Income	6 892	4 413	41	7	878	981	7 811	5 401
Other Income	746	49	-	-	22	-	768	49
TOTAL INCOME	**297 047**	**194 997**	**4 694**	**964**	**71 930**	**22 607**	**373 672**	**218 568**
EXPENDITURE								
Programme Activities	250 037	197 978	2 330	1 122	69 102	34 435	321 469	233 535
Technical Advisory Programme	-	37	-	-	-	-	-	37
Programme Expenditure	**250 037**	**198 015**	**2 330**	**1 122**	**69 102**	**34 435**	**321 469**	**233 572**
Other Expenditure	33	943	-	-	(8)	110	25	1 053
TOTAL EXPENDITURE	**250 070**	**198 958**	**2 330**	**1 122**	**69 094**	**34 545**	**321 494**	**234 625**
EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	**46 977**	**(3 961)**	**2 364**	**(158)**	**2 836**	**(11 938)**	**52 178**	**(16 057)**
Prior Period Adjustments **Note 9**	(512)	(162)	-	1	-	-	(512)	(162)
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	**47 489**	**(3 799)**	**2 364**	**(159)**	**2 836**	**(11 938)**	**52 690**	**(15 895)**
Fund Balances at 1 January	101 099	113 856	98	160	7 460	23 559	108 657	137 575
Savings on Prior Periods' Obligations	-	5	-	-	-	7	-	12
Refunds to Donors	(2 755)	(8 336)	-	-	(227)	(2 944)	(2 982)	(11 280)
Transfers within UNFPA Resources								
- to Regular Resources	(58)	(529)	-	-	(1 213)	(1 224)	(1 271)	(1 753)
- from Regular Resources	10	-	-	-	-	-	10	-
- to Other Resources	(249)	(987)	-	-	-	-	(249)	(987)
- from Other Resources		890	22	97	227	-	249	987
FUND BALANCES AT 31 DECEMBER	**145 538**	**101 099**	**2 484**	**98**	**9 084**	**7 460**	**157 104**	**108 657**

Statement 2
Assets, liabilities and fund balances as at 31 December 2005
2.1 Overview

(Thousands of United States dollars)

		Regular Resources		Other Resources	
ASSETS		**2005**	**2003**	**2005**	**2003**
Cash		5 214	9 285	270	11 501
Investments	Schedule 8	113 572	109 262	227 016	135 063
Total Cash and Investments		**118 786**	**118 547**	**227 286**	**146 564**
Accounts Receivable and Deferred Charges					
Contributions Receivable	Note 3	2 544	1 160	88	-
Provision for Doubtful Collection of Contributions Receivable	Note 6	(125)	(55)	-	-
Other	Note 15	8 308	5 148	296	524
Due from United Nations Development Programme		30 352	-	-	-
Other Assets					
Operating Funds provided to:					
Government		9 254	6 652	3 334	1 446
UN Agencies		945	439	3 135	-
Inter-Governmental Institutions and NGOs		2 862	3 345	1 262	2 102
TOTAL ASSETS		**172 926**	**135 236**	**235 400**	**150 636**
LIABILITIES					
Contributions Received in Advance	Note 5	244	30	-	-
Unliquidated Obligations	Note 17	34 613	33 909	64 532	39 998
Accounts Payable					
Due to United Nations Development Programme		-	7 064	-	-
Other	Note 16	3 665	1 434	5 826	1 390
Other Liabilities					
Other Liabilities		6 517	-	7 251	-
Operating Funds payable to:					
Government		3 130	2 520	453	21
UN Agencies		259	5 662	79	322
Inter-Governmental Institutions and NGOs		628	1 893	154	248
TOTAL LIABILITIES		**49 055**	**52 512**	**78 296**	**41 979**
RESERVES AND FUND BALANCES					
Operational Reserve	Note 19	70 245	57 706	-	-
Reserve for Field Accommodation	Note 18	5 000	5 000	-	-
Programmable Fund Balances		48 626	20 018	157 104	108 657
TOTAL RESERVES AND FUND BALANCES	Statement 4	**123 871**	**82 724**	**157 104**	**108 657**
TOTAL LIABILITIES AND RESERVES AND FUND BALANCES		**172 926**	**135 236**	**235 400**	**150 636**

		Cost-financing		Junior Professional Services		Procurement Services		Total Other Resources	
		2005	2003	2005	2003	2005	2003	2005	2003
ASSETS									
Cash		270	8 946	-	-	-	2 555	270	11 501
Investments	Schedule 8	198 725	105 554	2 274	99	26 017	29 410	227 016	135 063
Total Cash and Investments		**198 995**	**114 500**	**2 274**	**99**	**26 017**	**31 965**	**227 286**	**146 564**
Accounts Receivable									
Contributions Receivable		88	-	-	-	-	-	88	-
Other	Note 15	88	150	208	-	-	374	296	524
Other Assets									
Operating funds provided to									
Government		3 334	1 446	-	-	-	-	3 334	1 446
UN Agencies		3 135	-	-	-	-	-	3 135	-
Inter-Governmental Institutions and NGOs		1 262	2 102	-	-	-	-	1 262	2 102
TOTAL ASSETS		**206 902**	**118 198**	**2 482**	**99**	**26 017**	**32 339**	**235 400**	**150 636**
LIABILITIES									
Unliquidated Obligations	Note 17	48 158	15 118	20	1	16 354	24 879	64 532	39 998
								-	
Accounts Payable	Note 16	5 282	1 390	(22)	-	566	-	5 826	1 390
Other Liabilities									
Other Liabilities		7 238	-	-	-	13	-	7 251	
Operating Funds payable to									
Government		453	21	-	-	-	-	453	21
UN Agencies		79	322	-	-	-	-	79	322
Inter-Governmental Institutions and NGOs		154	248	-	-	-	-	154	248
TOTAL LIABILITIES		**61 364**	**17 099**	**(2)**	**1**	**16 933**	**24 879**	**78 294**	**41 979**
RESERVES AND FUND BALANCES									
Programmable Fund Balances		145 538	101 099	2 484	98	9 084	7 460	157 104	108 657
								-	
TOTAL RESERVES AND FUND BALANCES		**145 538**	**101 099**	**2 484**	**98**	**9 084**	**7 460**	157 104	**108 657**
								-	
TOTAL LIABILITIES AND RESERVES AND FUND BALANCES		**206 902**	**118 198**	**2 482**	**99**	**26 017**	**32 339**	**235 400**	**150 636**

Statement 3
Statement of cash flows for the biennium ended 31 December 2005
3.1 Overview

(Thousands of United States dollars)

		Regular Resources		Other Resources	
		2004-2005	2002-2003	2004-2005	2002-2003
CASH FLOWS FROM OPERATING ACTIVITIES					
(Shortfall) / excess of income over expenditure	Statement 1.1	39 571	(13 451)	52 690	(7 717)
(Increase) / decrease in pledges receivable		(1 384)	1 332	(88)	-
Increase / (decrease) in provision for doubtful collection of contributions receivable		70	734	-	-
(Increase) / decrease in other accounts receivable		(722)	402	(168)	158
(Increase) / decrease in operating funds provided to Governments - net		(1 902)	5 285	(1 456)	817
(Increase) / decrease in operating funds payable to UN agencies - net		(5 909)	(5 778)	(3 378)	322
(Increase) / decrease in operating funds provided to inter-governmental institutions and NGOs - net		(782)	2 573	746	(1 059)
Increase / (decrease) in contributions received in advance		214	21	-	-
Increase / (decrease) in unliquidated obligations		704	(1 745)	24 534	(13 014)
Increase / (decrease) in other liabilities		8 748	(5 317)	12 061	711
Less: Interest income		(9 822)	(8 338)	(7 811)	(5 401)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES		**28 696**	**(20 793)**	**77 131**	**(25 182)**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES					
Increase / (decrease) in Due to United Nations Development Programme		(37 416)	(8 573)	-	-
(Increase) / decrease in interest receivable		(2 438)	272	22	506
Add: Interest income		9 822	8 338	7 811	5 401
NET CASH FROM INVESTING AND FINANCING ACTIVITIES		**(30 032)**	**37**	**7 833**	**5 907**
CASH FLOWS FROM OTHER ACTIVITIES					
Savings arising from liquidation of prior periods' obligations		2 627	1 330	-	12
Increase to Operational Reserve		12 539	6 039	-	-
Refunds to donors			(26)	(2 982)	(11 280)
Transfers - net (to) / from other funds		(13 591)	(7 705)	(1 261)	(9 933)
NET CASH (USED IN) / FROM OTHER ACTIVITIES		**1 575**	**(363)**	**(4 243)**	**(21 201)**
NET (DECREASE) / INCREASE IN CASH AND INVESTMENTS		**239**	**(21 119)**	**80 722**	**(40 477)**
CASH AND INVESTMENTS AS AT 1 JANUARY		**118 547**	**139 666**	**146 564**	**187 041**
CASH AND INVESTMENTS AS AT 31 DECEMBER		**118 786**	**118 547**	**227 286**	**146 564**

	Co-financing		Junior Professional Officers Programme		Procurement Services		Total Other Resources	
	2004-2005	2002-2003	2004-2005	2002-2003	2004-2005	2002-2003	2004-2005	2002-2003
CASH FLOWS FROM OPERATING ACTIVITIES								
Excess / (shortfall) of income over expenditure	47 489	8 541	2 364	(159)	2 836	(16 099)	52 690	(7 717)
(Increase) / decrease in contributions receivable	(88)		-		-		(88)	-
(Increase) / decrease in accounts receivable	40	158	(208)	-	374	-	206	158
Decrease / (increase) in other assets	(4 183)	80	-		-		(4 183)	80
Increase / (decrease) in unliquidated obligations	33 037	(13 015)	19	1	(8 522)		24 534	(13 014)
Increase / (decrease) in other liabilities	11 228	(47 346)	(22)		579	48 057	11 785	711
Less: Interest income	(6 892)	(4 413)	(41)	(7)	(878)	(981)	(7 811)	(5 401)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**80 631**	**(55 995)**	**2 112**	**(165)**	**(5 612)**	**30 977**	**77 131**	**(25 182)**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES								
(Increase) / decrease in interest receivable	22	506	-	-	-	-	22	506
Add: Interest income	6 892	4 413	41	7	878	981	7 811	5 401
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	**6 914**	**4 919**	**41**	**7**	**878**	**981**	**7 833**	**5 907**
CASH FLOWS FROM OTHER ACTIVITIES								
Savings on Prior Periods' Obligations	-	5	-	-	-	7	-	12
Refunds to donors	(2 755)	(11 280)	-	-	(227)	-	(2 982)	(11 280)
Transfers - net (to) / from other funds	(297)	(10 030)	22	97	(986)	-	(1 261)	(9 933)
NET CASH (USED IN) / FROM OTHER ACTIVITIES	**(3 051)**	**(21 305)**	**22**	**97**	**(1 213)**	**7**	**(4 243)**	**(21 201)**
NET INCREASE / (DECREASE) IN CASH AND INVESTMENTS	**84 495**	**(72 381)**	**2 175**	**(61)**	**(5 948)**	**31 965**	**80 722**	**(40 477)**
CASH AND INVESTMENTS AS AT 1 JANUARY	**114 500**	**186 881**	**99**	**160**	**31 965**	**-**	**146 564**	**187 041**
CASH AND INVESTMENTS AS AT 31 DECEMBER	**198 995**	**114 500**	**2 274**	**99**	**26 017**	**31 965**	**227 286**	**146 564**

A/61/5/Add.7

Statement 4

Regular resources — movements in reserves and fund balances for the biennium ended 31 December 2005

(Thousands of United States dollars)

									2004-2005	2002-2003
		Program-mable Fund	Security Require-ments	Enterprise Resource Planning System	Procure-ment Services	Total Program-mable Fund Balance	Operat-ional Reserve	Reserve for Field Accom-modation	Total Reserves and Fund Balances	Total Reserves and Fund Balances
Balance as at 1 January		9 317	6 800	2 677	1 224	20 018	57 706	5 000	82 724	96 539
Net Excess / (Shortfall) of Income over Expenditures	Note 12	44 841	(2 401)	(2 869)	-	39 571	-	(1 100)	38 471	(15 648)
Savings from Prior Periods' Obligations		2 627	-	-	-	2 627	-	-	2 627	1 330
Transfers within Reserves										
- to Reserve for Field Accommodation	Note 18	(1 100)	-	-	-	(1 100)	-	1 100	-	-
- to Operational Reserve	Note 19	(12 539)	-	-	-	(12 539)	12 539	-	-	-
Refunds to Donors		-	-	-	-	-	-	-	-	(26)
Transfers within Resources										
- to Other Resources		(10)	-	-	-	(10)	-	-	(10)	(573)
- from Other Resources		58	-	-	-	58	-	-	58	1 102
Other Movements										
- Earmarking		(1 213)	-	-	1 213	-	-	-	-	-
BALANCE AS AT 31 DECEMBER	Statements 1.1, 2.1	**41 981**	**4 399**	**(192)**	**2 437**	**48 626**	**70 245**	**5 000**	**123 871**	**82 724**

Schedule 1

Regular resources — status of voluntary contributions at 31 December 2005[a]

(Thousands of United States dollars)

DONOR	Balance Due to UNFPA at 1 January 2004	Adjustments for Prior Biennia	Pledges for Current Biennium	Total Contributions	Movements in Deferred Income	Exchange Gains/ (Losses)	Payments Received	Balance Due to UNFPA at 31 December 2005	Pledged for Future Years
GOVERNMENT									
Afghanistan	-	-	-	-	-	-	-	-	-
Albania	-	-	-	-	-	-	-	-	-
Algeria	4	8	20	28	10	-	43	-	-
Andorra	-	-	33	33	-	-	33	-	-
Angola	-	-	18	18	-	-	18	-	15
Antigua and Barbuda	-	-	2	2	-	-	2	-	-
Armenia	-	-	2	2	-	-	2	-	-
Australia	-	-	3 674	3 674	-	20	3 694	-	-
Austria	-	-	1 468	1 468	-	(14)	1 455	-	-
Azerbaijan	-	-	4	4	-	-	4	-	-
Bahamas	-	-	2	2	-	-	1	1	-
Bahrain	-	-	5	5	-	-	5	-	-
Bangladesh	25	(25)	56	31	-	-	56	-	-
Barbados	-	-	8	8	4	-	11	-	-
Belarus	-	-	-	-	1	-	1	-	-
Belgium	-	-	7 942	7 942	-	(316)	7 627	-	7 101
Belize	-	-	6	6	-	-	3	3	-
Benin	4	-	7	7	-	-	7	4	12
Bhutan	6	-	12	12	-	-	12	6	-
Bolivia	12	(4)	4	-	-	-	-	12	-
Bosnia and Herzegovina	-	-	3	3	-	-	3	-	-
Botswana	-	-	9	9	-	(1)	8	-	14
Brazil	-	-	30	30	-	-	30	-	-
Bulgaria	22	(22)	4	(18)	-	-	4	-	-
Burkina Faso	-	-	4	4	4	-	7	-	4
Burundi	3	(1)	2	1	-	-	1	3	1
Cambodia	-	-	6	6	-	-	6	-	-
Cameroon	-	-	34	34	-	-	-	35	36
Canada	-	-	21 394	21 394	-	(190)	21 205	-	37 650
Cape Verde	14	-	2	2	-	-	2	14	-
Central African Republic	-	-	2	2	-	-	1	1	10
Chad	-	-	22	22	-	(2)	20	-	80
Chile	-	-	10	10	-	-	10	-	-
China	-	-	1 800	1 800	-	-	1 800	-	-
Colombia	39	-	83	83	14	-	136	-	14
Comoros	1	-	2	2	-	-	-	2	2
Congo	48	-	45	45	-	-	11	82	32
Cook Islands	1	-	2	2	-	-	2	1	-

DONOR	Balance Due to UNFPA at 1 January 2004	Adjustments for Prior Biennia	Pledges for Current Biennium	Total Contributions	Movements in Deferred Income	Exchange Gains/ (Losses)	Payments Received	Balance Due to UNFPA at 31 December 2005	Pledged for Future Years
Costa Rica	-	-	10	10	-	-	10	-	-
Côte d'Ivoire	15	-	30	30	-	-	4	41	-
Croatia	-	-	2	2	-	-	2	-	-
Cuba	-	-	10	10	-	-	5	5	-
Cyprus	-	-	4	4	-	-	4	-	3
Czech Republic	-	-	238	238	-	-	238	-	-
Democratic People's Republic of Korea	-	-	47	47	-	-	47	-	-
Democratic Republic of the Congo	2	-	6	6	-	-	-	8	15
Denmark	-	-	61 965	61 965	-	(1 714)	60 251	-	-
Djibouti	1	-	2	2	-	-	1	2	-
Dominica	-	-	-	-	-	-	-	-	-
Dominican Republic	-	-	20	20	-	-	20	-	-
Egypt	72	-	158	158	-	-	71	158	-
El Salvador	-	-	2	2	-	-	2	-	-
Equatorial Guinea	-	-	41	41	93	-	134	-	164
Eritrea	-	-	3	3	-	-	3	-	-
Estonia	-	-	47	47	-	-	46	-	-
Ethiopia	3	-	6	6	-	-	10	-	10
Federated States of Micronesia	3	-	3	3	-	-	6	-	-
Fiji	-	-	6	6	-	-	6	-	-
Finland	-	-	35 991	35 991	-	(1 362)	34 628	-	17 160
France	-	-	4 909	4 909	-	(107)	4 423	380	-
Gabon	11	(2)	98	96	-	1	99	10	-
Gambia	-	-	11	11	-	-	11	-	27
Georgia	1	-	2	2	-	-	3	-	-
Germany	-	-	36 842	36 842	-	(11)	36 831	-	-
Ghana	50	(26)	38	12	-	-	25	38	38
Greece	-	-	25	25	-	-	25	-	-
Guatemala	-	-	3	3	(2)	-	1	-	-
Guinea	-	-	8	8	-	-	4	4	12
Guinea Bissau	-	-	-	-	-	-	-	-	-
Guyana	-	-	1	1	-	-	1	-	-
Haiti	5	-	20	20	-	-	20	5	-
Honduras	-	-	7	7	-	-	7	-	-
Hungary	-	-	24	24	-	-	24	-	-
Iceland	-	-	62	62	-	-	62	-	-
India	-	-	403	403	-	1	404	-	-
Indonesia	-	-	67	67	-	(2)	65	-	-
Iran, Islamic Republic of	-	-	99	99	-	-	99	-	-
Ireland	-	-	6 975	6 975	-	-	6 975	-	-
Israel	-	-	45	45	-	-	45	-	-
Italy	-	-	5 447	5 447	-	(119)	5 328	-	-
Jamaica	-	-	2	2	1	-	3	-	-
Japan	-	-	77 008	77 008	-	-	77 008	-	-

DONOR	Balance Due to UNFPA at 1 January 2004	Adjust-ments for Prior Biennia	Pledges for Current Biennium	Total Contrib-utions	Move-ments in Deferred Income	Exchange Gains/ (Losses)	Payments Received	Balance Due to UNFPA at 31 December 2005	Pledged for Future Years
Jordan	48	-	102	102	-	-	150	-	200
Kazakhstan	-	-	30	30	-	-	30	-	-
Kenya	-	-	15	15	-	-	15	-	40
Kiribati	7	(7)	9	2	-	-	9	-	-
Kuwait	20	-	10	10	-	-	30	-	-
Kyrgyzstan	-	-	2	2	-	-	2	-	-
Lao, People's Democratic Republic	2	-	4	4	-	-	3	2	-
Latvia	-	-	-	-	-	-	-	-	-
Lebanon	2	-	2	2	2	-	6	-	-
Lesotho	3	-	6	6	-	-	-	8	-
Liberia	3	-	50	50	-	-	-	53	30
Liechtenstein	8	-	16	16	-	-	16	8	-
Luxembourg	-	-	2 438	2 438	-	(22)	2 416	-	-
Madagascar	-	-	4	4	-	-	2	2	24
Malawi	3	-	6	6	-	-	-	9	3
Malaysia	-	-	30	30	-	-	15	15	-
Maldives	-	-	8	8	-	-	3	5	-
Mali	6	-	13	13	-	-	7	12	13
Malta	-	-	1	1	-	-	1	-	-
Marshall Islands	4	-	4	4	-	-	-	8	2
Mauritania	3	6	4	10	-	-	9	3	5
Mauritius	-	-	7	7	-	-	7	-	-
Mexico	-	-	103	103	-	(1)	103	-	50
Moldova	-	-	-	-	1	-	1	-	1
Mongolia	-	-	8	8	-	-	8	-	-
Morocco	-	-	424	424	-	-	216	10	-
Mozambique	-	-	2	2	-	-	2	-	-
Myanmar	-	-	-	-	-	-	-	-	-
Namibia	-	-	3	3	-	-	3	-	-
Nauru	1	-	-	-	-	-	1	1	-
Nepal	-	-	11	11	-	-	11	-	-
Netherlands	-	-	152 508	152 508	-	(4 379)	148 130	-	-
New Zealand	-	-	4 024	4 024	-	-	4 024	-	5 479
Nicaragua	-	-	9	9	-	-	5	4	-
Niger	5	-	5	5	-	-	10	-	-
Nigeria	60	-	10	10	-	-	70	-	-
Norway	-	-	73 162	73 162	-	(2 191)	70 971	-	-
Oman	26	-	52	52	-	-	52	26	52
Pakistan	-	-	998	998	-	(12)	486	500	-
Palau	-	-	-	-	-	-	-	-	-
Palestine, Occupied Territories	-	-	2	2	-	-	2	-	3
Panama	52	(12)	41	29	-	-	26	55	-
Papua New Guinea	5	-	3	3	-	-	8	-	14
Paraguay	-	-	-	-	-	-	-	-	-
Peru	10	-	4	4	-	-	12	2	6

DONOR	Balance Due to UNFPA at 1 January 2004	Adjust-ments for Prior Biennia	Pledges for Current Biennium	Total Contrib-utions	Move-ments in Deferred Income	Exchange Gains/ (Losses)	Payments Received	Balance Due to UNFPA at 31 December 2005	Pledged for Future Years
Philippines	27	-	55	55	-	-	49	33	177
Poland	28	(14)	14	-	-	-	28	-	-
Portugal	-	-	80	80	-	-	80	-	-
Qatar	-	-	30	30	-	-	30	-	-
Republic of Korea	-	-	260	260	-	-	260	-	-
Romania	25	(5)	20	16	-	-	20	21	-
Russian Federation	-	-	300	300	-	-	300	-	-
Rwanda	1	-	1	1	-	-	2	-	1
Saint Kitts and Nevis	-	-	1	1	-	-	1	-	-
Saint Lucia	-	-	2	2	-	-	-	1	2
Saint Vincent and Grenadines	-	-	-	-	-	-	-	-	-
Samoa	-	-	10	10	(5)	-	5	-	-
Sao Tome and Principe	2	-	4	4	-	-	6	-	-
Saudi Arabia	300	-	600	600	-	-	900	-	-
Senegal	-	-	38	38	-	-	19	19	-
Serbia and Montenegro	-	-	-	-	-	-	-	-	-
Seychelles	1	-	4	4	-	-	2	3	6
Sierra Leone	9	-	24	24	-	-	-	33	33
Slovak Republic	-	-	12	12	-	-	12	-	-
Slovenia	1	(1)	3	2	-	-	3	-	-
Solomon Islands	-	-	-	-	-	-	-	-	-
Somalia	-	-	-	-	-	-	-	-	-
South Africa	-	-	46	46	-	(1)	45	-	-
Spain	-	(58)	1 586	1 528	-	-	811	718	-
Sri Lanka	-	-	36	36	-	-	18	18	-
Sudan	60	(30)	60	30	-	-	-	90	-
Suriname	-	-	2	2	-	-	1	1	-
Swaziland	10	-	20	20	-	-	-	30	20
Sweden	-	-	88 535	88 535	-	(3 913)	84 623	-	-
Switzerland	-	-	19 358	19 358	-	354	19 712	-	-
Syrian Arab Republic	3	-	6	6	-	-	6	3	-
Tajikistan	-	-	-	-	-	-	-	-	-
Thailand	-	-	193	193	92	-	285	-	-
The former Yugoslav Republic of Macedonia	2	-	4	4	-	-	4	2	-
Timor-Leste	1	-	2	2	-	-	2	1	-
Togo	3	-	17	17	-	-	17	3	-
Tokelau	-	-	-	-	-	-	1	-	-
Tonga	-	-	2	2	-	-	1	1	-
Trinidad and Tobago	-	-	10	10	-	-	10	-	-
Tunisia	-	-	42	42	-	-	42	-	-
Turkey	29	(29)	216	187	-	-	216	-	-
Turkmenistan	-	-	2	2	-	-	2	-	-
Tuvalu	-	-	6	6	-	-	3	3	3
Uganda	20	-	20	20	-	-	10	30	40

DONOR		Balance Due to UNFPA at 1 January 2004	Adjustments for Prior Biennia	Pledges for Current Biennium	Total Contributions	Movements in Deferred Income	Exchange Gains/ (Losses)	Payments Received	Balance Due to UNFPA at 31 December 2005	Pledged for Future Years
United Kingdom of Great Britain and Northern Ireland		-	-	74 744	74 744	-	(1 486)	73 258	-	68 847
United Republic of Tanzania		6	-	10	10	-	-	10	5	23
Uruguay		8	(8)	17	9	-	-	-	17	20
Uzbekistan		1	-	1	1	-	-	2	-	-
Vanuatu		3	(1)	2	1	-	-	2	2	1
Venezuela		15	-	6	6	-	-	16	5	-
Viet Nam		-	-	8	8	-	-	8	-	-
Yemen		-	-	25	25	-	-	25	-	-
Zambia		-	-	4	4	-	-	5	-	4
Zimbabwe		-	-	-	-	-	-	-	-	1
PRIVATE										
Mars Trust	Note 4	-	-	1 650	1 650	-	-	1 650	-	-
Government Local Office Costs	Note 11	-	-	(406)	(406)	-	-	(406)	-	-
TOTAL		1 160	(229)	689 211	688 982	214	(15 464)	672 318	2 574	137 500
								Less: Adjustment for Unrealized Loss	(30)	
								Contribution Receivable at 31-Dec-05	(2 544)	

* Balances, adjustments, pledges for current year, payments and/or pledged for future years for less than $500 from: Afghanistan, Albania, Dominica, Guinea Bissau, Latvia, Myanmar, Nauru, Palau, Paraguay, Republic of Moldova, Saint Vincent, Serbia and Montenegro, Solomon Islands, Somalia, Tajikistan, Tokelau and Zimbabwe round down to zero.

Schedule 2
Other income and expenditure for the biennium ended 31 December 2005

(Thousands of United States dollars)

		Regular Resources		Other Resources	
		2004-2005	2002-2003	2004-2005	2002-2003
OTHER INCOME					
Miscellaneous Income		1 227	2 162	94	49
Net Currency Revaluation Adjustments and Gains on Exchange		7 101	1 700	478	-
Accounting Adjustments in respect of Closed Projects		1 649	16	196	-
TOTAL OTHER INCOME		**9 978**	**3 878**	**768**	**49**
OTHER EXPENDITURE					
Hedging Programme - Premia	Note 8	1 077	35	-	-
Net Currency Revaluation Adjustments and Losses on Exchange		2 034	-	25	1 052
Accounting Adjustments in respect of Closed Projects		-	23	-	1
TOTAL OTHER EXPENDITURE		**3 111**	**58**	**25**	**1 053**

Schedule 3
Regular resources — programme activities by region for the biennium ended 31 December 2005

(Thousands of United States dollars)

	2004-2005 Programme Activities	2002-2003 Programme Activities
SUB-SAHARAN AFRICA		
Angola	3 424	3 799
Benin	4 045	3 465
Botswana	1 516	995
Burkina Faso	3 606	3 086
Burundi	1 757	2 030
Cameroon	5 478	4 490
Cape Verde	1 278	1 077
Central African Republic	3 678	1 957
Chad	4 341	4 574
Comoros	748	795
Congo	1 473	1 365
Côte d'Ivoire	2 203	1 799
Democratic Republic of the Congo	10 176	4 911
Equatorial Guinea	2 061	893
Eritrea	2 185	2 181
Ethiopia	6 400	6 363
Gabon	364	393
Gambia	1 310	991
Ghana	4 947	5 324
Guinea	3 326	1 519
Guinea-Bissau	942	1 044
Kenya	6 238	7 068
Lesotho	462	695
Liberia	1 634	1 086
Madagascar	3 421	3 520
Malawi	4 090	2 718
Mali	3 305	3 730
Mauritania	3 312	2 824
Mauritius	50	223
Mozambique	6 775	4 667
Namibia	1 675	1 508
Niger	4 163	4 296
Nigeria	10 756	9 046
Rwanda	1 654	2 206
Sao Tome and Principe	705	540
Senegal	3 997	3 434
Seychelles	65	97
Sierra Leone	3 410	2 416
South Africa	853	1 755
Swaziland	1 050	878
Togo	1 917	2 221
Uganda	7 238	7 692
United Republic of Tanzania	6 416	6 043
Zambia	3 228	3 689
Zimbabwe	3 057	2 127
Total country projects	**144 728**	**127 510**
Regional Projects	11 356	9 210
Total	**156 084**	**136 720**
ASIA AND THE PACIFIC		
Afghanistan	4 532	4 712
Bangladesh	11 009	13 934
Bhutan	3 331	1 408

	2004-2005 Programme Activities	2002-2003 Programme Activities
Cambodia	4 642	7 385
China	9 158	9 161
Democratic People's Republic of Korea	1 638	1 648
India	24 294	19 865
Indonesia	7 619	5 896
Iran, Islamic Republic of	3 353	4 531
Lao People's Democratic Republic	2 366	3 089
Malaysia	440	371
Maldives	987	782
Mongolia	2 060	2 883
Myanmar	7 325	2 933
Nepal	6 927	3 540
Pacific Multi Islands*	2 767	1 589
Pakistan	12 739	8 723
Papua New Guinea	1 563	1 110
Philippines	8 740	5 922
Sri Lanka	1 814	1 982
Thailand	2 669	930
Timor-Leste	4 633	2 625
Viet Nam	10 681	7 345
Total Country Projects	**135 287**	**112 284**
Regional Projects	6 184	4 852
TOTAL	**141 471**	**117 136**

* Figures for Pacific Multi Islands are comprised of several islands which, for reporting purposes, have been classified under one heading. Pacific Multi Islands include the Cook and Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

	2004-2005 Programme Activities	2002-2003 Programme Activities
ARAB STATES AND EUROPE		
Albania	643	704
Algeria	1 183	2 034
Armenia	1 057	677
Azerbaijan	1 165	1 103
Belarus	548	313
Bosnia & Herzegovina	573	404
Bulgaria	547	346
Commonwealth of Independent States	-	(27)
Djibouti	744	854
Egypt	4 165	2 551
Estonia	40	65
Georgia	991	667
Iraq	1 782	767
Jordan	745	784
Kazakhstan	1 218	1 123
Kosovo	480	538
Kyrgyzstan	1 133	1 064
Latvia	117	137
Lebanon	541	561
Lithuania	150	164
Moldova, Republic of	513	358
Morocco	4 430	2 757
Occupied Palestine Territories	2 310	1 669
Oman	157	-
Poland	176	156
Romania	1 001	887
Russian Federation	1 275	988

		2004-2005 Programme Activities	2002-2003 Programme Activities
Saudi Arabia		-	13
Somalia		559	732
Sudan		8 341	3 750
Syrian Arab Republic		3 428	4 735
Tajikistan		1 389	1 456
The former Yugoslav Republic of Macedonia		11	-
Tunisia		910	709
Turkey		2 054	1 744
Turkmenistan		966	1 115
Ukraine		888	742
United Arab Emirates		4	4
Uzbekistan		1 558	1 176
Yemen		4 052	4 079
Total Country Projects		**51 843**	**41 899**
Regional Projects		5 296	4 929
TOTAL		**57 139**	**46 828**
LATIN AMERICA AND THE CARIBBEAN			
Argentina		882	489
Bolivia		2 270	2 722
Brazil		1 315	921
Caribbean, English and Dutch Speaking*		2 969	1 470
Chile		377	264
Colombia		1 477	1 188
Costa Rica		693	680
Cuba		1 508	1 221
Dominican Republic		1 564	1 417
Ecuador		2 004	2 012
El Salvador		1 244	1 231
Guatemala		1 294	1 172
Haiti		4 042	2 789
Honduras		2 463	2 680
Mexico		2 247	2 727
Nicaragua		2 760	1 868
Panama		1 068	906
Paraguay		1 815	1 169
Peru		2 793	2 747
Uruguay		790	278
Venezuela, Bolivarian Republic of		1 796	1 387
Total Country Projects		**36 471**	**31 258**
Regional Projects		5 987	3 988
TOTAL		**42 458**	**35 246**
Inter-Regional Projects		59 134	44 053
Indirect Costs	Note 2k		10 153
TOTAL PROGRAMME ACTIVITIES		**456 286**	**390 136**

* Figures for English and Dutch Speaking Caribbean are comprised of several countries and islands which, for reporting purposes, have been classified under one heading, respectively. The English and Dutch Speaking Caribbean includes Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Christopher and Nevis, St. Lucia, St. Vincent and the Grenadines, the Netherlands Antilles, Suriname, Trinidad and Tobago, Turks and Caicos Islands.

Schedule 4
Regular resources — programme activities by region for the biennium ended 31 December 2005

(Thousands of United States dollars)

	2004-2005 Allocations	2004-2005 Programme Activities	Unspent Allocations
REGION			
Sub-Saharan Africa	171 421	156 084	15 337
Asia and the Pacific	151 730	141 471	10 259
Arab States and Europe	62 235	57 139	5 096
Latin America and the Caribbean	45 034	42 458	2 576
Inter-Regional	67 823	59 134	8 689
TOTAL PROGRAMME ACTIVITIES	**498 243**	**456 286**	**41 957**

Schedule 5
Biennial support budget for the biennium ended 31 December 2005

(Thousands of United States dollars)

		Appropriations 2004-2005	EXPENDITURE 2004-2005 Disbursements	Unliquidated Obligations	Total	Unencumbered Balance
Programme Support						
Country Offices		86 577	82 373	609	82 982	3 595
Headquarters		29 181	28 375	1 866	30 241	(1 060)
Programme Support - Subtotal		**115 758**	**110 748**	**2 475**	**113 223**	**2 535**
Management and Administration		53 803	52 484	3 769	56 253	(2 450)
Gross Appropriations and Expenditure		**169 561**	**163 232**	**6 244**	**169 476**	**85**
Credits to the Biennial Support Budget	Note 11	(14 600)	(20 615)	-	(20 615)	6 015
Net Appropriations and Expenditure		**154 961**	**142 617**	**6 244**	**148 861**	**6 100**

Schedule 6
Co-financing — income and expenditures and fund balances for the biennium ended 31 December 2005

(Thousands of United States dollars)

	Fund Balances 1 January 2004	Contribution	Interest Incomes	Other Incomes and Expenditures	Refund	Transfer and Prior Period Adjustment	Total Fund Available	Programme Activities	Fund Balances 31 December 2005
TRUST FUNDS									
Arab Gulf Programme for United Nations Organizations	93	444	9	-	-	-	546	420	126
Australia	186	1 838	32	10	-	16	2 082	1 379	703
Austria	508	152	24	2	-	-	686	422	264
Belgium	3 682	2 893	163	446	(196)	-	6 989	4 263	2 726
Canada	3 365	5 384	219	(7)	(88)	(22)	8 851	4 529	4 322
Canadian Public Health	124	1 342	11	(8)	-	-	1 468	1 386	81
China, People's Republic	-	1 000	21	(2)	-	-	1 019	322	697
CIDA/Kosovo	27	-	-	-	(8)	6	25	-	25
Colombia	-	86	1	-	-	-	87	34	53
Columbia University	1 271	473	20	(4)	-	-	1 760	1 760	1
Denmark	421	669	24	-	(31)	45	1 129	928	200
Egypt	567	-	23	-	-	(36)	554	102	452
EngenderHealth	-	430	3	1	-	-	434	368	66
European Commission	8 028	16 276	255	9	-	1	24 569	18 289	6 280
European Commission - Reproductive Health Initiative for Youth in Asia	5 102	8 946	199	199	-	-	14 446	11 605	2 841
Farm Invest Group	-	25	-	-	-	-	25	25	-
Finland	2 259	2 539	101	59	(37)	-	4 922	3 071	1 851
France	150	-	2	-	-	-	152	67	84
Germany	1 536	9 368	224	5	(66)	-	11 067	5 874	5 193
Germany/Kosovo	17	-	-	-	(18)	-	(1)	-	(1)
Germany/Kosovo 2	511	1 301	37	(2)	(31)	-	1 815	1 335	480
Guatemala	-	395	3	-	-	-	398	3	394
International Bank for Reconstruction and Development	581	56	4	4	-	9	654	348	306
Ireland	-	290	10	-	-	-	299	74	226
Italy	367	-	19	-	-	25	411	58	353
Japanese Trust Fund for Inter-Country NGO and Parliamentary Activities	1 634	2 147	103	18	(147)	1	3 756	2 041	1 715
Japanese Organization for International Cooperation in Family Planning	43	-	1	-	-	(3)	42	41	1
Kuwait		500	2	-	-	-	502	131	371
Lebanon	354	750	12	-	(42)	-	1 074	790	284
Liechtenstein	-	15	-	-	-	-	15	-	15
Luxembourg	400	3 977	106	5	-	156	4 645	2 054	2 591
MacArthur Foundation	-	250	2	-	-	-	252	-	252
Mexico	-	254	2	-	-	-	256	-	256
Multi-Donor - Eritrea	-	83	1	-	-	-	84	-	84
Multi-Donor - Thematic Trust Fund for Obstetric Fistula	-	73	-	-	-	417	489	143	346

	Fund Balances 1 January 2004	Contribution	Interest Incomes	Other Incomes and Expenditures	Refund	Transfer and Prior Period Adjustment	Total Fund Available	Programme Activities	Fund Balances 31 December 2005
Multi-Donor Office of Results-Based Management	244	-	7	-	-	3	254	200	54
Multi-Donor - Thematic Trust Fund for Reproductive Health Commodity Security	-	60 157	1 225	1	-	-	61 383	38 475	22 907
Multi-Donor - Thematic Trust Fund for Tsunami	-	10 230	177	(67)	-	-	10 339	5 231	5 108
Multi-Donor - Burkina Faso	-	230	2	-	-	-	233	74	159
Multi-Donor - Eritrea	-	78	2	-	-	-	80	4	76
Multi-Donor - Georgia	-	10	-	-	-	-	10	-	10
Multi-Donor - Honduras	-	20	-	-	-	-	20	7	13
Multi-Donor - Turkey	-	87	-	-	-	-	87	19	68
Multi-Donor - Venezuela	-	61	1	-	-	-	62	-	62
Multi-Donor - Zimbabwe	-	300	3	(87)	-	-	216	64	152
Netherlands	4 939	5 442	319	4	(104)	91	10 691	3 189	7 502
New Zealand	416	1 900	42	2	-	(80)	2 279	1 419	860
Nigeria	-	746	8	-	-	-	755	-	755
NORAD	3 179	1 008	100	(27)	(36)	119	4 342	3 154	1 188
NORAD/Malawi	553	2 191	44	(52)	-	26	2 761	1 730	1 031
Norway	493	1 574	25	-	-	-	2 091	913	1 179
OCHA	-	2 687	34	(1)	-	-	2 720	848	1 872
Oman	143	48	9	-	-	-	200	7	193
Organization of Petroleum Exporting Countries	974	2 800	61	(8)	-	-	3 828	2 555	1 273
Open Society	1	-	-	-	(1)	-	-	-	-
Paraguay		11	-	-	-	-	11	11	-
Partners in Population	44	-	2	-	(44)	-	1	-	1
Peru	-	11 465	11	1	-	-	11 477	11 515	(39)
Republic of Korea	-	50	-	-	-	-	50	-	50
Saudi Arabia	198	-	11	-	-	-	209	-	209
SHELL	2	-	-	-	-	-	2	-	2
Spain	232	706	10	(1)	-	(58)	889	113	776
Sweden	3 010	13 848	227	10	(302)	(3)	16 790	7 964	8 826
Switzerland	132	463	10	-	-	11	617	526	91
Syrian Arab Republic	414	1 154	29	-	-	-	1 597	919	677
The Global Fund to Fight AIDS, Tuberculosis and Malaria	-	337	4	-	-	-	341	261	79
United Nations Trust Fund for Human Security	3 933	1 774	198	(11)	(128)	-	5 765	2 834	2 931
UNDG Iraq Trust Fund	-	12 603	361	-	(142)	-	12 822	6 537	6 285
UNDP	-	365	3	-	-	-	368	278	90
United Kingdom Trust Fund for Reproductive Health Commodities Security Programme	3 231	-	42	14	-	-	3 287	3 215	72
United Kingdom of Great Britain and Northern Ireland	9 665	14 565	565	89	-	-	24 884	14 129	10 755
United Nations AIDS	107	538	11	-	-	37	693	469	224

	Fund Balances 1 January 2004	Contribution	Interest Incomes	Other Incomes and Expenditures	Refund	Transfer and Prior Period Adjustment	Total Fund Available	Programme Activities	Fund Balances 31 December 2005
United Nations Fund for International Partnerships	6 351	8 586	257	88	(1 198)	30	14 115	10 686	3 429
US Committee for UNFPA	1 422	8 299	107	(66)	(32)	-	9 730	8 743	986
Yemen	-	341	2	-	-	-	343	-	343
TRUST FUNDS	**70 909**	**226 626**	**5 542**	**623**	**(2 651)**	**791**	**301 841**	**187 953**	**113 888**
COST-SHARING									
Africa Development Fund	-	1 150	9	-	-	-	1 159	975	184
Algeria	-	308	6	-	-	-	314	110	205
Asian Forum of Paliamentarians on Population and Development	7	141	1	4	-	-	153	87	66
Armenia	8	-	-	-	-	(8)	-	-	-
Australia	119	75	3	-	-	(84)	114	76	38
Austria	-	61	-	(1)	-	-	60	55	5
Belgium	151	171	5	1	-	-	328	131	197
Bolivia	14	-	-	-	-	-	14	-	14
Botswana	-	239	2	1	-	-	242	112	131
Brazil	495	865	23	-	-	-	1 383	601	782
Canada	4 820	720	54	(1)	-	(191)	5 402	4 770	632
CHECCHI	-	90	1	-	-	-	90	50	40
Chile	-	44	-	(1)	-	-	42	34	8
Colombia	790	595	6	(2)	(61)	-	1 328	1 305	23
Columbia University	-	210	-	-	-	-	210	213	(3)
Denmark	877	1 587	13	(17)	-	150	2 610	2 428	183
Economic Commission for Latin America and the Caribbean	15	-	-	-	-	-	15	-	15
Equatorial Guinea	-	96	1	-	-	-	97	40	57
FEMAP	-	42	1	-	-	-	43	38	5
Gabon	-	84	2	-	-	-	87	-	87
Germany	-	13	-	-	-	-	13	13	-
Guatemala	248	737	18	2	-	-	1 006	115	891
International Bank for Reconstruction and Development	-	198	3	-	-	-	201	99	103
Ireland	-	139	1	-	-	-	139	119	20
Italy	356	-	9	-	-	-	365	-	365
Japanese Trust Fund for Inter-Country NGO and Parliamentary Activities	-	-	-	(8)	-	-	(8)	-	(8)
King Baudouin Foundation	353	-	9	-	-	-	362	-	362
Luxembourg	-	2 567	42	-	-	-	2 608	804	1 805
Malaysia	-	600	-	-	-	-	600	400	200
Marie Stopes International	-	-	-	-	-	-	-	-	-
Mexico	668	377	24	5	-	-	1 074	304	770
Morocco	194	744	14	15	-	-	966	737	230
Multi-Donor - Armenia	-	115	1	(6)	-	-	111	114	(3)
Multi-Donor - Eritrea		262	3	-	-	-	265	256	10
Netherlands	616	10 185	108	(7)	-	-	10 902	7 769	3 133
New Zealand	62	2 196	12	(9)	-	89	2 350	1 759	591

		Fund Balances 1 January 2004	Contribution	Interest Incomes	Other Incomes and Expenditures	Refund	Transfer and Prior Period Adjustment	Total Fund Available	Programme Activities	Fund Balances 31 December 2005
Nigeria, Virgin Unite		50	33	1	-	-	(50)	34	29	5
NORAD		496	1 251	4	7	-	-	1 758	1 725	33
Organization of Petroleum Exporting Countries		8	-	-	-	-	-	8	8	-
Operation USA		50	-	1	-	-	-	51	50	1
OXFAM		-	37	-	-	-	-	37	29	7
Packard Foundation		109	-	1	-	-	1	111	60	51
Paraguay		24	89	1	(1)	-	-	113	68	45
Partners in Population		85	-	0	-	-	-	85	73	12
Peru		2 998	16 347	120	-	-	-	19 464	16 928	2 536
Private Contribution Fistula		-	77	2	-	-	(77)	2	-	2
Sao Tome		-	54	1	-	-	-	55	-	55
Sweden		-	350	3	-	-	-	353	324	29
Switzerland		195	551	8	-	(30)	(4)	721	632	89
Tunisia		-	316	1	-	-	-	318	303	14
UNDP		564	1 079	10	-	-	-	1 653	1 289	365
UNICEF		56	25	2	-	-	-	84	-	84
UNIFEM		(4)	-	-	-	-	8	4	-	4
United Kingdom of Great Britain and Northern Ireland		679	2 077	15	5	-	-	2 775	2 331	444
United Nations AIDS		7 582	14 002	293	5	-	27	21 910	13 302	8 608
University of Aberdeen		-	15	-	-	-	-	15	15	-
US Committee for UNFPA		21	938	13	(2)	-	-	970	698	272
USAID		791	-	22	99	-	(101)	811	5	807
Yemen		60	196	7	-	-	-	263	-	263
COST-SHARING		**23 555**	**62 051**	**875**	**89**	**(91)**	**(238)**	**86 240**	**61 379**	**24 861**
OTHER TRUST FUNDS										
Female Genital Mutilation		5	-	-	-	-	(5)	-	-	-
Fistula		323	-	10	-	-	(333)	-	-	-
Global Contraceptive Commodity Programme	Note 23	4 065	319	284	-	-	-	4 668	(41)	4 709
Population Award		736	-	41	-	-	-	777	33	744
Rafael M. Salas Endowment Fund		958	-	113	-	-	-	1 071	19	1 052
UN Foundation Support Office	Note 11	548	413	25	-	(13)	-	973	693	280
OTHER TRUST FUNDS		**6 635**	**732**	**473**	**-**	**(13)**	**(337)**	**7 489**	**704**	**6 785**
TOTAL		**101 099**	**289 409**	**6 892**	**713**	**(2 755)**	**215**	**395 574**	**250 037**	**145 538**

Schedule 7
Procurement services — income and expenditures and fund balances for the biennium ended 31 December 2005

(Thousands of United States dollars)

	Fund Balances 1 January 2004	Contributions	Interest Income	Other Income and Expenditure	Refunds	Transfers and Prior Period Adjustments	Total Funds Available	Programme Activities	Fund Balances 31 December 2005
GOVERNMENTS									
CIDA - Bangladesh	235	16 770	97	3	-	191	17 296	17 194	102
DFID - Bolivia	110	-	6	-	-	-	116	-	116
DFID - Pakistan	3 842	2 500	69	108	-	-	6 518	5 914	605
DFID - Zambia	(179)	1 284	1	-	-	-	1 106	1 142	(36)
KFW - Albania	-	8	-	-	-	-	8	8	1
KFW - Bangladesh	105	-	6	-	-	-	111	-	111
KFW - Burundi	(10)	11	-	-	-	-	1	-	1
KFW - Guinea	35	-	2	-	-	-	37	1	36
KFW - Yemen	-	269	-	-	-	-	269	262	7
SIDA - Cape Verde	5	114	3	-	-	-	122	13	109
SIDA - Djibouti	-	31	-	-	-	-	31	32	(2)
USAID - Sierra Leone	(115)	29	1	-	-	-	(84)	(140)	57
Albania	-	14	-	-	-	-	14	-	14
Algeria	149	-	8	-	-	-	157	-	157
Brazil	-	99	4	-	-	-	103	-	103
Burundi	75	-	4	-	-	-	79	2	78
Dominican Republic	11	1 199	9	-	-	-	1 220	843	377
Egypt	(32)	7 036	135	15	-	36	7 190	6 675	515
El Salvador	-	977	7	-	-	-	985	867	118
Fiji	-	70	1	(2)	-	-	70	73	(3)
Gambia	5	131	4	4	-	-	144	127	18
Jamaica	104	167	7	-	-	-	278	173	105
Kazakhstan	-	212	1	-	-	-	213	212	2
Lao People's Democratic Republic	5	-	-	-	-	-	5	-	5
Pakistan	(417)	13 483	183	(5)	-	-	13 243	10 879	2 364
Sri Lanka	660	-	33	-	-	-	694	624	70
Uganda	1	-	-	-	-	-	1	-	1
United Republic of Tanzania	-	1 713	4	(106)	-	-	1 611	1 081	529
Uruguay	7	245	4	-	-	-	256	176	80
GOVERNMENTS	**4 597**	**46 364**	**591**	**16**	**-**	**227**	**51 795**	**46 154**	**5 640**
UN AGENCIES									
IAPSO	-	-	-	-	-	-	-	29	(29)
UNAIDS	-	-	-	-	-	-	-	34	(34)
UN MISSIONS	-	212	3	-	-	-	214	237	(23)
UNDP	-	2 173	9	(2)	-	-	2 180	2 298	(118)
UNDP	-	55	-	-	-	-	55	51	4
UNHCR	16	-	2	-	-	-	18	(19)	37
UNICEF	-	193	-	-	-	-	193	134	59
WHO	-	382	7	2	-	-	391	583	(193)

	Fund Balances 1 January 2004	Contributions	Interest Income	Other Income and Expenditure	Refunds	Transfers and Prior Period Adjustments	Total Funds Available	Programme Activities	Fund Balances 31 December 2005
UN AGENCIES	**16**	**3 015**	**21**	**-**	**-**	**-**	**3 051**	**3 347**	**(296)**
INTER-GOVERMENTAL INSTITUTIONS									
World Bank - Bangladesh	93	1 410	36	6	-	-	1 545	1 047	498
World Bank - Benin	26	-	2	-	-	-	28	-	28
World Bank - Brazil	-	4 555	4	-	-	-	4 559	3 972	586
World Bank - Burkina Faso	560	-	9	-	-	-	569	549	21
World Bank - Chad	36	-	2	-	-	-	38	-	38
World Bank - Congo	-	344	2	-	-	-	346	-	346
World Bank - Côte d'Ivoire	105	-	6	-	-	-	110	-	110
World Bank - Gambia	153	-	9	-	-	-	162	(2)	164
World Bank - Ghana	924	2 138	45	-	(13)	-	3 095	2 536	560
World Bank - Haiti	40	-	2	-	-	-	42	-	42
World Bank - Iran, Islamic Republic of	1	-	-	-	-	-	1	-	1
World Bank - Madagascar	-	453	1	-	-	-	454	426	27
World Bank - Mauritania	36	-	2	-	-	-	39	-	39
World Bank - Niger	66	-	4	-	-	-	70	-	70
World Bank - Romania	13	-	-	-	-	-	13	-	13
World Bank - Sao Tome	-	22	-	-	-	-	22	-	22
World Bank - Sri Lanka	(14)	-	4	-	(170)	-	(180)	(2)	(178)
World Bank - Yemen	600	-	11	7	-	-	618	564	54
World Bank - Niger	-	-	2	-	-	-	2	(13)	16
European Commission - Tunisia	43	-	2	-	-	-	45	-	45
Global Fund - Colombia	-	146	1	-	-	-	147	146	1
Global Fund - Cote D'Ivoire	-	58	-	-	-	-	58	52	6
Global Fund - El Salvador	-	76	-	-	-	-	76	76	-
Global Fund - Equatorial Guinea	-	6	-	-	-	-	6	4	3
Global Fund - Honduras	-	147	1	-	-	-	148	139	9
Global Fund - Mongolia	15	97	2	-	-	-	114	77	37
Global Fund - Tajikistan	-	336	2	-	-	-	337	352	(15)
PAHO	-	-	-	-	-	-	-	(1)	1
INTER-GOVERMENTAL INSTITUTIONS	**2 698**	**9 788**	**149**	**13**	**(183)**	**-**	**12 465**	**9 921**	**2 544**
NGOs									
Engenderhealth	-	1	-	-	-	-	1	-	1
International Rescue Committee	-	57	-	-	-	-	57	59	(3)
Marie Stopes International	4	31	-	1	-	-	37	27	10
Medecins du Monde	1	14	-	-	-	-	15	14	-
Population Services international	26	465	5	-	(9)	-	487	435	52
World Vision	-	108	1	-	-	-	109	103	7

		Fund Balances 1 January 2004	Contributions	Interest Income	Other Income and Expenditure	Refunds	Transfers and Prior Period Adjustments	Total Funds Available	Programme Activities	Fund Balances 31 December 2005
Other								-	-	-
Ami Foundation - Guinea Bissau		-	7	-	-	-	-	7	-	7
APROFAM - Guatemala		-	54	-	-	-	-	54	55	-
ARC -Thailand		-	-	-	-	-	-	-	-	-
Care - Bangladesh		-	52	-	1	-	-	53	53	-
Centre Muraz - Azerbajan		-	-	-	-	-	-	-	-	-
DKT - Ethiopia		56	5 019	29	-	(26)	-	5 078	5 032	46
IDDI - Dominican Republic		-	7	-	-	-	-	7	-	7
IMC - Azerbajan		-	-	-	-	-	-	-	(4)	4
MFM - Ethiopia		-	6	-	-	-	-	6	6	-
NICASALUD- Nicaragua		-	36	-	-	-	-	36	35	1
PPLS - Benin		-	614	3	-	-	-	617	584	32
PPLSII AMASOT - Chad		-	329	8	-	-	-	337	8	329
RHAC - Cambodia		-	65	1	-	(9)	-	57	58	(2)
NGOs		**86**	**6 864**	**47**	**2**	**(44)**	**-**	**6 957**	**6 465**	**492**
Re-Inspection of Factories		7	-	-	-	-	-	7	4	3
Sub-Total		**7 404**	**66 030**	**807**	**32**	**(227)**	**227**	**74 274**	**65 891**	**8 383**
Procurement Services - Admnistration	Note 20	56	3 129	42	-	-	(609)	2 617	2 617	-
Procurement Services - Denmark	Note 21	-	1 271	22	(2)	-	-	1 291	593	698
Procurement Services - Thematic Trust Fund		-	600	4	-	-	(604)	-	-	-
TOTAL PROCUREMENT SERVICES		**7 460**	**71 030**	**878**	**30**	**(227)**	**(986)**	**78 183**	**69 102**	**9 084**

Schedule 8
Investments as at 31 December 2005

(Thousands of United States dollars)

		Regular Resources		Other Resources	
		2005	2003	2005	2003
By Security Type:					
Money Market Funds		1 465	11 761	13 182	14 734
Time Deposits		13 500	40 419	121 500	49 581
Marketable Securities		98 607	57 082	92 334	70 748
TOTAL	Note 14	**113 572**	**109 262**	**227 016**	**135 063**
By Fund/Reserve:					
Operational Reserve		70 245	57 706	-	-
Reserve for Field Accommodation		5 000	5 000	-	-
Regular Resources		38 327	46 556	-	-
Other Resources		-	-	227 016	135 063
TOTAL	Note 14	**113 572**	**109 262**	**227 016**	**135 063**

Notes to the Financial Statements

Note 1
Mission statement

The United Nations Population Fund (UNFPA) is an international development agency that promotes the right of every woman, man and child to enjoy a life of health and equal opportunity. We support countries in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every birth is safe, every young person is free of HIV/AIDS, and every girl and woman is treated with dignity and respect.

Organizational objectives

The organization's three main areas of work are to help ensure universal access to reproductive health, including family planning and sexual health, to all couples and individuals by 2015; to support population and development strategies that enable capacity-building in population programming; to promote awareness of population and development issues and to advocate for the mobilization of the resources and political will necessary to accomplish its areas of work.

UNFPA is guided by, and promotes, the principles of the Programme of Action of the International Conference on Population and Development (1994). In particular, UNFPA affirms its commitment to reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women everywhere. UNFPA believes that safeguarding and promoting these rights and promoting the well-being of children, especially the girl child, are development goals in themselves. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so.

UNFPA is convinced that meeting these goals will contribute to improving the quality of life and to the universally accepted aim of stabilizing world population. UNFPA also believes that these goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends.

UNFPA recognizes that all human rights, including the right to development, are universal, indivisible, interdependent and interrelated, as expressed in the Programme of Action of the International Conference on Population and Development, the Vienna Declaration and the Programme of Action adopted by the World Conference on Human Rights, the Convention on the Elimination of All Forms of Discrimination Against Women, the Programme of Action of the World Summit for Social Development, the Platform for Action of the Fourth World Conference on Women and in other internationally agreed instruments.

UNFPA, as the lead United Nations organization for the follow-up and implementation of the Programme of Action of the International Conference on Population and Development, is fully committed to working in partnership with Governments, all parts of the United Nations system, and civil society, as well as non-governmental organizations.

UNFPA supports efforts to ensure a coherent, coordinated United Nations field presence, under the leadership of a strengthened Regional Coordinator in a collegial and participatory Regional Coordinator system. UNFPA plays an active and leading role in the inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA will assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action is also essential for achieving the Millennium Development Goals. These eight goals, which are fully aligned with the International Conference on Population and Development roadmap, have the overarching aim of reducing extreme poverty by half by 2015. UNFPA brings its special expertise in reproductive health and population issues to the worldwide collaborative effort of meeting the Millennium Development Goals. UNFPA, working in multiple partnerships, supports gender sensitive policies and programmes to achieve the Millennium Development Goals. These partnerships are customized to national and local circumstances and take into account cultural diversity.

Note 2
Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(a) Accounting convention

These financial statements have been prepared in accordance with the Financial Regulations and Rules of UNFPA and the United Nations system accounting standards (revision VI).

(b) Financial period

The period covered by these financial statements is a biennium covering two years ended 31 December 2005.

(c) Unit of account

The unit of account used in these financial statements is the United States dollar. Where transactions have occurred in other currencies, the equivalent in United States dollars is established using the United Nations operational rate of exchange.

The amounts in the statements and schedules are rounded to the nearest thousand and in the notes to the nearest million or thousand as indicated.

(d) Income

All income is recorded on an accrual basis except for contributions to other resources, which are recorded on a cash basis.

(e) Expenditure

All expenditure, except for that recorded under programme activities implemented by Governments and by non-governmental organizations (NGOs), is accounted for on an accrual basis and includes unliquidated obligations in respect of goods and services budgeted and contracted for by 31 December 2005. Expenditure recorded under programme activities implemented by Governments and NGOs is accounted for on a disbursement basis.

Included under programme activities are:

- The indirect costs incurred by and paid to United Nations agencies, intergovernmental institutions and NGOs in relation to the implementation of UNFPA-funded projects;
- The indirect costs charged by UNFPA in relation to the management of projects.

At the first regular session in 2005, by its decision 2005/12, the Executive Board approved revision to the recovery of indirect costs for co-financing. Standardization of indirect cost recovery was undertaken in the context of harmonized cost-recovery principles within the United Nations system. The new recovery policy consists of a rate of 5 per cent on nationally executed cost-sharing expenditures financed by programme countries and 7 per cent on all other co-financed expenditures. The rate of 5 per cent for third-party procurement expenditures and the maximum rate for indirect cost recovery by non-governmental organizations and United Nations agencies remain.

(f) Exchange rates

Contribution income is recorded net of the exchange gains and losses resulting from the pledge and receipt of voluntary contributions. Monetary assets and liabilities held in currencies other than United States dollars are revalued using the United Nations operational rate of exchange in effect at 1 January 2006.

Revaluation adjustments and exchange gains and losses arising from transactions other than contributions are recorded as other income or other expenditure.

(g) Investments and hedges

Investments are accounted for at cost. In accordance with United Nations system accounting standards, the market value is disclosed if it is different from the carrying amount.

Marketable securities are purchased with the intent to hold them to maturity. However, marketable securities may be sold in cases where there is a liquidity need or unexpected credit risk or where it is otherwise in the best interests of overall investment management and providing such sale shall not result in a loss of principal.

Marketable securities that potentially subject any organization to concentrations of credit risk consist primarily of bonds and certificates of deposit. Investments are placed in high credit quality financial instruments as determined

through reputable third party rating agencies. The credit quality of issuers of these investments is reviewed on an ongoing basis.

In addition to only placing investments in high credit quality financial instruments as determined through reputable third party rating agencies, liquidity risk is managed by limiting the exposure to any one issue and to any one counter party.

Hedging arrangements are entered into to protect the value of non-dollar pledges made by donors, to make contribution income more predictable and stable and to facilitate resource distribution and other planning exercises. Hedge premiums and hedging exchange gains and losses are included under miscellaneous expenditures.

Investment and hedging activities are carried out on behalf of UNFPA by UNDP.

(h) Non-expendable assets

From 1 January 2004, non-expendable assets are defined as items valued at $1,000 or more per unit, excluding freight and carriage, and with a serviceable life of at least three years. In previous years, non-expendable assets were defined as items valued at $1,500 or more per unit and with a serviceable life of at least five years or items which are considered attractive.

The full cost of non-expendable assets is charged to the biennial support budget or to programme expenditure in the year in which it is purchased.

An inventory is maintained in respect of all non-expendable assets.

Note 24 provides an analysis of assets held as at 31 December 2005.

(i) Technical Advisory Programme

Expenditure recorded under the Technical Advisory Programme covers costs incurred in the provision of technical support to countries through the nine Country Technical Services Teams and the Strategic Partnership Programme with the United Nations agencies.

The Country Technical Services Teams represent multidisciplinary subregional and regional teams responsible for providing technical assistance to countries on population and reproductive health while promoting national self-reliance. Expenditure includes the costs of technical support professionals, local office and activity costs, as well as costs related to the management of the Technical Advisory Programme at headquarters.

The Strategic Partnership Programme is a collaborative arrangement between UNFPA and the United Nations agencies based on identification of specific thematic areas for cooperation, with agreed products that draw upon the comparative advantages of the United Nations agencies and that are needed to improve the effectiveness and efficiency of national population and reproductive health programmes.

(j) Procurement services

Following approval by the Governing Council at its fortieth session in 1993, UNFPA receives funds for the procurement of supplies, equipment, and services on behalf of and at the request of Governments, the United Nations, United Nations funds and programmes, and the specialized agencies, other intergovernmental institutions, and NGOs. UNFPA receives a fee in respect of these procurement services at a rate established by the Executive Board. This procurement service fee is recorded as income to the biennial support budget after deducting procurement service expenditures.

These services have been accounted for and reported under procurement services in statement 1.2 and schedule 7. Statement 4 and notes 11 and 20 provide further disclosure on the excess of income over expenditure.

(k) Presentation of financial statements

By its decision 97/6, the Executive Board approved the harmonization of the budget presentation format submitted by UNDP, UNICEF, and UNFPA. These financial statements are presented in a format consistent with that decision.

UNFPA operations are funded by two distinct types of resources:

- Regular resources represent resources that are unrestricted to use
- Other resources represent resources that are restricted to use. These include co-financing, the Junior Professional Officers Programme, and procurement services funds. Co-financing includes cost-sharing, thematic and other trust funds.

The results of the operations funded by regular resources and other resources have not been combined in the financial statements.

Changes have been made to the presentation of the financial statements to facilitate their interpretation and to reflect more accurately UNFPA operations. Where appropriate, and unless otherwise stated, information provided in previous years has been reclassified for presentational purposes.

The significant changes are as follows:

- Indirect costs, previously reported as programme support services, have been reported under programme activities in statements 1.1 and 1.2. The comparatives reported in schedule 3, regular resources programme activities by region, have not been restated by country.
- Co-financing funds comprise cost-sharing and trust funds, which were previously reported separately in statements 1.2 and 2.2. In addition procurement services, which were previously reported within trust funds, are now reported separately.
- Savings on prior years obligations, previously reported under other income are now reported under changes in reserves and fund balances in statements 1.1 and 1.2.
- The 2002-2003 comparative information in statements 1.1, 1.2, 2.1 and 2.2 has been restated due to the above changes.

Totals may not add due to rounding.

Note 3
Contributions receivable

Contributions to regular resources pledged by Governments for current and prior years that had not been paid by 31 December were as follows (in thousands of United States dollars):

Pledge year		*2005*	*2003*
2000 and prior years	Note o	—	55
2001		—	162
2002		126	252
2003		248	691
2004		201	—
2005		1 999	—
Total		**2 574**	**1 160**
Adjustment for unrealized losses		**(30)**	**0**
Contributions receivable as at 31 December	**Statement 2.1**	**2 544**	**1 160**

For other resources, contributions receivable is current.

As at 31 March 2006, $1.34 million of the contributions receivable for 2005 has been paid.

Note 4
Mars Trust

The late Mr. Forrest E. Mars provided in his estate for the creation of a fund, entitled the Mars Trust, that is held by the United States Committee for UNFPA to support the work of UNFPA. On a periodic basis, the United States Committee for UNFPA, in conjunction with the trustee of the fund, makes a discretionary distribution for the benefit of UNFPA through the United States Committee for UNFPA. Such distributions are free of donor restrictions and are therefore recorded as a contribution to regular resources.

The contribution to UNFPA in the biennium ended 31 December 2005 totalled $1.7 million (2002-2003: $2 million).

Note 5
Contributions received in advance

At 31 December, contributions had been received in advance from the following Governments (in thousands of United States dollars):

		2005	2003
Algeria		10	—
Barbados		4	—
Belarus		1	—
Burkina Faso		4	—
Colombia		14	—
Equatorial Guinea		93	—
Estonia		23	23
Guatemala		—	2
Jamaica		1	—
Lebanon		2	—
Samoa		—	5
Thailand		92	—
Total	**Statement 2.1**	**244**	**30**

Note 6
Provision for doubtful collection of contributions receivable

Based on a review of the aged analysis of contributions receivable at 31 December 2005, provision has been made in respect of all those contributions pledged in 2002 for which collection is considered doubtful.

The movement in the provision is summarized (in thousands of United States dollars):

		2005	2003
Provision at 1 January		55	679
Contributions receivable for which collection is now considered doubtful		244	55
Contributions receivable written off		(150)	(674)
Recoveries of contributions receivable for which collection was previously considered doubtful		(24)	(5)
Provision at 31 December	**Statement 2.1**	**125**	**55**

Note 7
Contributions in kind

The market value of goods and services received as contributions in kind to UNFPA activities for the biennium ended 31 December 2005 was $0.9 million. These contributions are not reflected in statement 1 or previous financial statements.

Note 8
Hedging

Hedging arrangements through foreign exchange forward contracts and options are entered into to protect the value of non-dollar pledges made by donors, to make contribution income more predictable and stable, and to facilitate resource distribution and other planning exercises. Hedge premiums and hedging exchange gains and losses are included under miscellaneous expenditures.

With effect from 1 January 2003, UNFPA requested the UNDP Treasury to hedge the currency risk to which UNFPA is exposed when donors pledge and pay contributions at different times and in currencies other than the United States dollar.

During the biennium, contribution income in eight currencies was hedged. At 31 December 2005, there were no outstanding hedge commitments.

Note 9
Prior period adjustments

Prior period adjustments comprise (in thousands of United States dollars):

		Regular resources		*Other resources*	
		2005	*2003*	*2005*	*2003*
Adjustments in respect of:					
Salary costs		—	(791)	—	—
Contribution income		16	(443)	58	(185)
Expenditures		427	1 312	(570)	—
Other items		—	(61)	—	23
Total	**Statement 1.1, 1.2**	**443**	**17**	**(512)**	**(162)**

Note 10
Multi-year funding framework

The multi-year funding framework is the UNFPA medium-term strategic plan that aims to strengthen the Fund's contribution to the implementation of the International Conference on Population and Development and the Millennium Development Goals. The Framework comprises a strategic results framework, a managing for results framework and an integrated resources framework. The strategic results framework specifies clearly defined organizational results and indicators to monitor progress towards these results, and strategies to achieve them. The MfRF presents the key dimensions of the Fund's organizational effectiveness. The integrated resources framework estimates the resource requirements for the Framework period.

At the first regular session of 2004, the Executive Board approved the integrated resources framework for the 2004-2007 multi-year funding framework period, with a total goal of regular and other resources of $1,523 million. However, given the increases in income projections, in the annual session of 2005, the Executive Board approved a revision of the integrated resources framework for a

total of $1,754 million. As per the Financial Regulations and Rules, future expenditures will always be subject to the availability of resources.

Note 11
Biennial support budget

Credits to biennial support budget expenditure in schedule 5 comprise (in thousands of United States dollars):

		2004-2005	*2002-2003*
Indirect costs charged to regular resources (see note 2e) in relation to			
Government-implemented projects		3 640	4 365
Procurement assistance provided to UNFPA-implemented projects		1 385	2 869
Subtotal		**5 025**	**7 234**
Indirect costs charged to other resources in relation to			
UNFPA, NGO, and Government-implemented projects		14 384	9 930
Less: transfer to United Nations Foundation support office		(413)	(890)
Subtotal		**13 971**	**9 040**
Net procurement service fee	Statement 4, note 20	1 213	1 224
Government local office costs	Schedule 1	406	184
Total		**20 615**	**17 682**

Indirect costs charged to projects funded by the United Nations Fund for International Partnerships (UNFIP) provide financing for the United Nations Foundation support office. In the biennium ended 31 December 2005, contributions of $8.7 million (2002-2003: $17.6 million) were received from UNFIP.

Two contributions towards local office costs were received in 2004-2005. In accordance with the Executive Board decision on the harmonization of the budget presentation format submitted by UNDP, UNICEF and UNFPA, this income has been transferred from regular resource contributions to the biennial support budget.

Note 12
Implementation of the Enterprise Resource Planning System

In the biennial support budget 2004-2005, approved at its second regular session of 2003, the Executive Board authorized the setting aside of $3.8 million, in addition to the $10 million set aside in the previous biennium, for the implementation of the Enterprise Resource Planning System.

Expenditures of $6.7 million were incurred in the biennium ended 31 December 2005 (2002-2003: $7.3 million). Cumulative expenditures to

31 December 2005 total $14 million. The marginal over expenditure will be offset against cumulative appropriations under the Enterprise Resource Planning System.

Note 13
Termination payments — Country office typology

In the revised biennial support budget 2002-2003, approved at its second regular session of 2002, the Executive Board authorized the Executive Director to expend an additional $2 million earmarked to provide termination payments to the incumbents of posts not included in the country office typology developed and implemented during the UNFPA transition process.

No expenditure against this appropriation was incurred in the biennium ended 31 December 2005 (2002-2003: $1.8 million).

Note 14
Investments

Investments are held in the name of UNFPA. The total book and market value of investments held at 31 December 2005 is as follows (in thousands of United States dollars):

	Par value	*Book value*	*Market value*
Money market funds	14 610	14 646	14 610
Time deposits	135 000	135 000	135 000
Certificates of deposit	80 000	80 000	80 000
Bonds			
– Obligations of commercial banks	62 000	62 222	61 232
– Non-United States sovereign obligations	11 000	11 055	11 018
– Supranational organizations	14 376	14 435	14 405
– Municipals	13 000	13 060	12 982
– United States Government and agency obligations	10 000	10 170	9 885
Subtotal	**110 376**	**110 942**	**109 442**
Total	**339 986**	**340 588**	**339 132**
Held under:			
Regular resources		113 572	
Other resources		227 016	
Total		**340 588**	

Bonds had a total book value of $110.9 million and a market value of $108.4 million as at 31 December 2005. Movements in bonds during the biennium follows (in thousands of United States dollars):

Opening balance, 1 January 2004			127 839
Add:	Purchases	64 749	
	Realized gain	2	64 751
Less:	Maturities	(77 090)	
	Amortization	(4 558)	(81 648)
Ending balance, 31 December 2005			**110 942**

The average liquidity of the above investments is eight months. With the current level of securities, UNFPA could maintain its operations for 7.8 months.

Note 15
Accounts receivable — other

Other accounts receivable and deferred charges in statement 2.1 consist of the following (in thousands of United States dollars):

	Regular resources		*Other resources*	
	2005	*2003*	*2005*	*2003*
Advances to staff and consultants	2 253	1 378	41	93
Deferred charges	—	39	—	—
Accrued interest	5 605	3 167	35	57
Miscellaneous accounts receivable	450	564	220	374
Total	**8 308**	**5 148**	**296**	**524**

Note 16
Accounts payable — other

This total is reported as follows (in thousands of United States dollars):

	Regular resources		*Other resources*	
	2005	*2003*	*2005*	*2003*
Miscellaneous accounts payable	3 293	581	5 746	1 390
Payable as administrative agent in respect of joint programme activities	—	—	20	—
Payable in respect of services provided by UNDP	372	853	60	—
Total	**3 665**	**1 434**	**5 826**	**1 390**

Note 17
Unliquidated obligations

The balance of unliquidated obligations in statement 2.1 consists of the following (in thousands of United States dollars):

	Regular resources		*Other resources*	
	2005	*2003*	*2005*	*2003*
United Nations agencies	1 897	1 582	—	—
Others	32 716	32 327	64 532	39 998
Total	**34 613**	**33 909**	**64 532**	**39 998**

This total is reported as follows:

		Regular resources		*Other resources*	
		2005	*2003*	*2005*	*2003*
Biennial support budget	Schedule 5	6 244	4 585	—	—
Implementation of Enterprise Resource Planning System		185	3 576	—	—
Termination payments		794	1 705	—	—
Other liabilities		615	—	—	—
Programme		26 775	24 043	64 532	39 998
Total		**34 613**	**33 909**	**64 532**	**39 998**

Note 18
Reserve for field accommodation

At its thirty-eighth session in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5 million for the biennium 1992-1993 and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy.

Field accommodation expenditures for the biennium ended 31 December 2005 totalled $1.1 million (2002-2003: $2.2 million). At 31 December 2005, $1.1 million (2003: $1.7 million) was transferred from unexpended fund balances to replenish the reserve for field accommodation.

Note 19
Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies.

The level of the operational reserve was set at $45 million at the thirty-sixth session of the Governing Council in 1989. At its thirty-eighth session in 1991, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of the regular resources income for each year of the UNFPA workplan.

In the biennium ended 31 December 2005, given net contribution income of $351.2 million for 2005, the operational reserve was increased from $57.7 million to $70.2 million.

Note 20
Earmarking

As in previous years, the excess of Procurement Services fee income over expenditures has been recorded as income and is reported under net biennial support budget expenditures (see statement 1.1 and note 11). However, the excess of $1.2 million arising from activities in the biennium ended 31 December 2005 (2002-2003: $1.2 million) has been earmarked to facilitate resource planning in future years.

By its decision 2004/27, the Executive Board granted the Executive Director authority to access up to 4 per cent of the approved gross regular biennial support budget as additional funding for security measures, up to a maximum of $6.8 million.

Note 21
Relocation of Procurement Services Section

Funding was received from Denmark to support the relocation of the Procurement Services Section from New York to Copenhagen. A total of $1.3 million was received during the biennium ended 31 December 2005.

The Copenhagen Procurement Services Section office, in premises shared with the procurement operations of other United Nations organizations, became operational on 3 January 2005.

Note 22
UNFPA transition process

The transition process was initiated by the Executive Director to define a common strategic direction for UNFPA, to increase its organizational capacity, to develop a functions-based realigned structure and a human resources strategy, to promote knowledge generation and sharing, and to increase UNFPA visibility. The transition process commenced in June 2001 and was completed in December 2002.

Included in schedule 6 are the following co-financing balances which relate to the UNFPA transition process (in thousands of United States dollars):

	Fund balance at 1 January 2004	*Contributions*	*Interest income*	*Refund to donor*	*Project activities*	*Fund balance at 31 December 2005*
UNFIP	526	—	15	10	357	174
United Kingdom	26	—	1	—	4	23
Total	**552**	**—**	**16**	**10**	**361**	**197**

Note 23
Global Contraceptive Commodity Programme

At its first regular session of 1996, the Executive Board approved the establishment of the Global Contraceptive Commodity Programme to be managed as a trust fund. In accordance with this decision, $5 million was transferred from unexpended resources to the Global Contraceptive Commodity Programme in 1996. The movements in this trust fund are included under "other trust funds" in schedule 6.

At 31 December 2005, stocks of contraceptives at cost of $0.5 million (2003: $2.3 million) were held at manufacturer's premises for UNFPA as part of the Global Contraceptive Commodity Programme. This amount is not reflected in the balance sheet.

Note 24
Non-expendable assets

As at 31 December 2005, non-expendable assets held at cost were as follows (in millions of United States dollars):

	2005	*2003*
Headquarters	2.9	2.8
Country offices	85.8	66.3
Total	**88.7**	**69.1**

UNFPA accounting policy with respect to non-expendable assets is to charge the full cost of additions to the biennial support budget or to programme expenditure in the year of purchase and to record these additions, together with disposals and other movements, in an inventory. The full cost of non-expendable assets purchased directly by UNFPA or on behalf of UNFPA by its implementing partners has been included in statement 1 of these or previous financial statements. However, the extent to which the disclosure provided on inventory held at the balance sheet date represents total non-expendable assets to which UNFPA has legal title depends on the integrity of the inventory systems and procedures administered by UNFPA and the completeness and accuracy of reporting provided to UNFPA by its implementing partners with respect to non-expendable assets charged to the programme expenditure.

Two complete physical counts of assets were performed at headquarters and country offices during the biennium. At the completion of the physical asset count as at 31 December 2004, it was noted that there were significant differences in the 2003 closing and 2004 opening balances, and that the 2003 values were understated. This was adjusted accordingly to the 2004 opening balance. When updating the Atlas records with respect to additions and retirements in 2004, the opening balances again changed. The net change in the 2003 closing balance and 2004 opening balance is $11.6 million which is a combination of rectifications made to the 2003 closing balance and additions/retirements made to non-expendable assets during 2004. The asset management module has been streamlined in 2005 and system glitches have been eliminated. A number of reliable management reports and customizations were introduced and more are being developed to ensure data quality.

In 2005, country offices and headquarters have conducted physical counts of existing assets as at 31 December 2005. Out of 129 offices, 111 reconciled the physical count with asset values in Atlas. These physical counts and the corresponding asset values were certified by country offices after a detailed and a mutually satisfactory review process by both headquarters and the country offices. With respect to the remaining 18 offices, a net difference of $1.1 million existed between the assets values in Atlas and the certification received from the country offices, which were still being investigated.

Note 25
Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the Pension Fund consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date.

At the time of the present report, the United Nations General Assembly has not invoked this provision.

Note 26
Contingent liabilities

UNFPA has not provided for liabilities in respect of after-service health insurance costs or other end-of-service benefits to which staff members are entitled when they leave the organization.

After-service health insurance

UNFPA engaged the services of William M. Mercer, Incorporated to determine by actuarial evaluation its liability in respect of after-service health insurance costs at 31 December 2005. The results of this evaluation are provided in summary below (in millions of United States dollars):

	At 31 December 2005	
	Present value of future benefits	*Accrued liability*
Gross liability	115.4	77.1
Retiree contributions	23.2	15.5
Net liability	**92.2**	**61.6**

The present value of the future benefits is the discounted value of the after-service health insurance costs to be paid in the future for both current retirees plus active staff expected to retire in the future. The accrued liability comprises that

portion of the present value of benefits that has accrued from staff members' entry on duty dates to the valuation date (projected to 31 December 2005). Active staff members' benefits are fully accrued when they reach their date of full eligibility for after-service health insurance benefits.

As mentioned in note 27 for the International Public Sector Accounting Standards (IPSAS), the High-level Committee on Management approved the recommendations of the Task Force on Accounting Standards that United Nations system organizations adopt IPSAS. The Task Force recommended that the United Nations system organizations develop their own implementation timetables with all organizations adopting IPSAS effective no later than reporting periods beginning on or after 1 January 2010.

IPSAS standards will require United Nations accounting to change from modified accrual to full accrual. Under IPSAS accounting requirements, UNFPA accounting will include full recognition of liabilities for employee benefit obligations such as after-service health insurance, annual leave and repatriation grants. The IPSAS requirement for full recognition of the after-service health insurance liability is consistent with the Secretary-General's recommendation that the General Assembly authorize full recognition of the after-service health insurance liability and its progressive funding (A/60/450). UNFPA intends to work with the United Nations system organizations, with a view to determine the best course of action on how to fund this liability and once finalized after thorough consultations at all levels, eventually to bring the proposals before the Executive Board for a decision.

Staff benefits

Based on the information available at 31 March 2006, the contingent liability resulting from termination benefits that UNFPA may be required to pay to its staff members in future years was estimated as at 31 December 2005 to be $6.6 million (2003: $5.9 million) with respect to repatriation grants and $1.7 million (2003: $1.4 million) with respect to termination indemnity. Costs relating to annual leave due as at 31 December 2005 are estimated at $7.6 million (2003: $6.4 million).

Note 27
International Public Sector Accounting Standards

The financial statements of United Nations system organizations are prepared at present in accordance with United Nations system accounting standards. After an in-depth review, sponsored by the High-level Committee on Management, of the possibility of United Nations system organizations adopting external accounting standards, the Task Force on Accounting Standards recommended that the United Nations system adopt International Public Sector Accounting Standards (IPSAS). This recommendation was endorsed by the Finance and Budget Network. On 30 November 2005, the High-level Committee on Management accepted the recommendation of the Task Force on Accounting Standards that the United Nations system adopt IPSAS (CEB/2005/HLCM/R.25). In reaching their decision, the High-level Committee also agreed that support, coordination and leadership for this system-wide change should continue to be provided through the Task Force on Accounting Standards, under the auspices of the Finance and Budget Network,

together with continuation of project resources to ensure consistent interpretation and application of IPSAS requirements across the system.

Full adoption of IPSAS within the United Nations system is expected to be completed by 1 January 2010. However, funds and agencies are free to adopt the standards earlier than 2010 depending upon their readiness.

The implementation of IPSAS is expected to have a positive impact on the quality, comparability and credibility of UNFPA financial reporting, with consequential improvement in accountability, transparency, and governance. IPSAS would also better support results-based management. The adoption of IPSAS is a major exercise that would require changes in the UNFPA Financial Regulations and Rules and a significant investment in the management of their introduction, including staff training, resolution of accounting issues, modification of enterprise resource planning and a change in budgeting and asset management policies.

Note 28
Governance principles

Risk management

The purpose of risk management in UNFPA is to strike an optimal balance between the maximization of the organization's impact (as defined in the mission statement of the organization) and related risks. Maximizing impact requires that the organization take risks in being on the leading edge in its field of expertise, and in working in adverse or unreliable environments. This appetite for risk requires that UNFPA accept risk as part of its operations and minimize its potential negative impact: loss of reputation or of capacity to serve clients resulting, for instance, from inadequate or failed internal processes or from external events.

It is important that the classification of risks is structured to perform analyses and to provide comparable results over time. Categorization must be done consistently, and it must follow a logical pattern. UNFPA has adapted the internationally recognized risk classification of the Basel Committee on Banking Supervision[1] to better fit with its mandate and its operations framework.

Internal control

The latest internal control framework of UNFPA is covered in the Policies and Procedures Manual.

The framework incorporates controls outlined in the document "Functional roles in Atlas", issued in August 2004. It also takes into account measures which have been taken to address issues raised in the CEDAR report on the review of controls and identification of risks in a post-implementation PeopleSoft environment. The framework is revised periodically to take account of enhancements to internal controls.

The ICF assists UNFPA offices in implementing effective Atlas internal controls and staff in carrying out their functions and exercising their responsibilities with due care.

[1] Bank for International Settlements, "Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework", November 2005.

Accountability is central to all work processes that staff undertake and the internal control framework identifies who is responsible for what activity and at what level. A fraud hotline is accessible on the UNFPA website to anyone who may wish to report matters related to fraud and corruption. The information is recorded in a secure database administered by the Division for Oversight Services, and each case is dealt with as set forth in the fraud policy.

Performance reporting

All offices establish an annual office management plan that establishes office workplan outputs based on UNFPA priority pillars. There is a mid-year review, in which offices report on their progress in the office management plan. The current mid-year review was submitted and reviewed by the Executive Director. At the end of the year, divisions are expected to generate an annual report of activities and outputs achieved.

Individual staff are required to draft their individual, annual performance plans (phase 1 of the Performance Appraisal and Development) based on the office management plans. Phase 1 of the Performance Appraisal and Development is generally done in the first quarter of the year, after the priority pillars and the office management plans are finalized. Performance against workplan outputs and indicators is done at the end of the year. Under phase 3, staff members self-evaluate themselves, and evaluate their colleagues and their supervisors. Supervisors enter final comments in each Performance Appraisal and Development, which then goes for review by the Management Review Group.

In case of unsatisfactory performance, the supervisor must address proactively the performance issues and develop a performance plan for the staff member. The plan must cover a period of at least six months and include clear targets for improvement, coaching, supervision and bimonthly appraisals. Continued performance issues may result in withholding of within-grade increment, non-renewal of fixed term contract, or termination for unsatisfactory service.

UNFPA is in the process of examining the data from the implementation of the Performance Appraisal and Development over the last two years to determine how effective it is in performance planning and reporting.

Social accounting

UNFPA has initiated several affirmative strategies within the organization.

Investment policy

UNFPA does not make any investment in an industry or business that produces firearms, tobacco, liquor, pornography, gambling or military weaponry.

Procurement policy

Business entities that are complicit in human rights abuses, tolerate forced or compulsory labour or the use of child labour, are involved in the sale or manufacture of anti-personnel mines or their components, or that otherwise do not meet relevant obligations or responsibilities by the United Nations, are not eligible for partnership.

Personnel policies

Staff members are required to uphold and respect the principles set out in the Charter of the United Nations, including faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women. Consequently, staff members are required to exhibit respect for all cultures and must not discriminate against any individual or group of individuals or otherwise abuse the power and authority vested in them.

Gender mainstreaming

UNFPA recognizes that it has particular leadership responsibilities, which entail the obligation as well as the opportunity to promote gender equality. Roughly 43 per cent of the posts funded by core resources are occupied by women. Approximately 56 per cent of the positions on project-funded posts are held by females.

Continuity

UNFPA began operations in 1969 as the United Nations Fund for Population Activities. In 1971, the United Nations General Assembly designated UNFPA to play a leading role in the United Nations system in promoting population programmes. A year later, in recognition of the growth in its resources and scope of its operations, UNFPA was placed under the General Assembly's direct authority.

In 1987, the name of UNFPA was changed to the United Nations Population Fund, but the acronym, UNFPA, was retained.

In 1993, the General Assembly transformed the governing body of UNFPA into an Executive Board, subject to the authority of the Economic and Social Council. The UNFPA Executive Board is made up of representatives from 36 countries around the world, who serve on a rotating basis. The current composition of the Executive Board is as follows: 8 from States in Africa, 7 from Asia and the Pacific, 4 from Eastern European States, 5 from Latin America and the Caribbean, and 12 from Western Europe and other States. The Board oversees and supports the activities of UNFPA, ensuring that the organization remains responsive to the evolving needs of programme countries.

UNFPA supports programmes in four regions: the Arab States and Europe, Asia and the Pacific, Latin America and the Caribbean, and sub-Saharan Africa. It works in over 140 countries, areas and territories through nine country technical services teams and 112 country offices. Three quarters of UNFPA staff work in the field.

Over the past few years, the number of UNFPA donor countries has steadily increased, from 69 in 1999 to 149 in 2003, to last year's new high of 172. The year 2005 also marked a record year for contributions. The number of donors committed to multi-year funding also rose, from 49 countries in 2004 to 55 countries in 2005. Every nation in sub-Saharan Africa pledged funds to UNFPA in 2005. The top six donor nations were the Netherlands, Sweden, Norway, Japan, the United Kingdom of Great Britain and Northern Ireland and Denmark.

The governance structure of all funds and programmes in the United Nations system is currently under review as part of the United Nations reform process.

Note 29
Post balance sheet event

Effective 1 January 2006, UNFPA adopted a revised asset policy in respect of project assets. Henceforth, assets purchased for the exclusive use of implementing partners that are currently included under non-expendable assets, as reported under note 24, will no longer be tracked.

The change in policy is consistent with generally accepted practices in this regard.

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